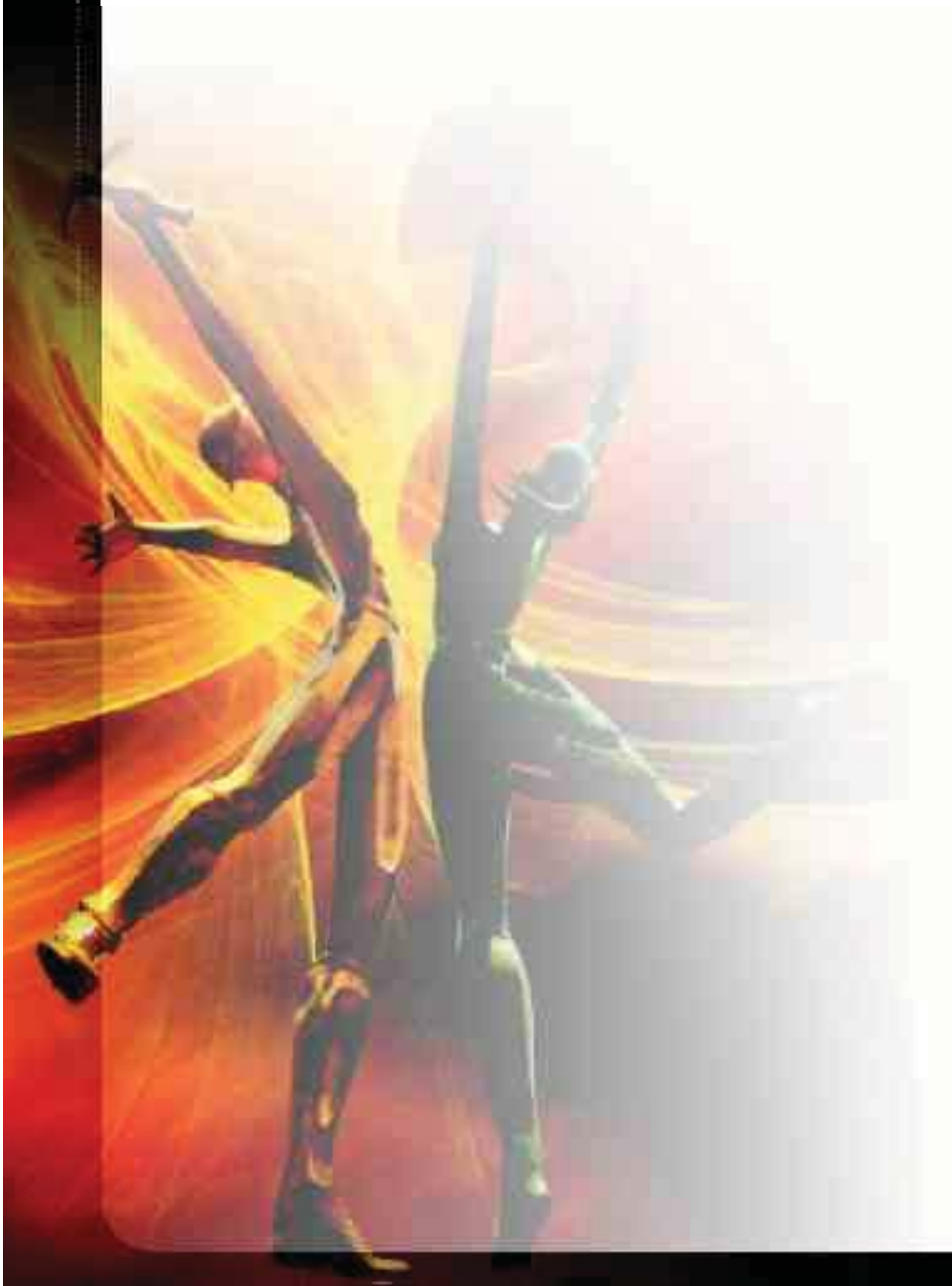




# *City of Matlosana*

ANNUAL REPORT 2006 - 2007





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# CHAPTER 1

*Introduction & Overview*



# Introduction & Overview

## EXECUTIVE MAYOR'S FOREWORD

The tough decisions we made and the unflinching commitment of all the stakeholders in Matlosana during the 2006 - 2007 financial year crystallised into a realisation that indeed we are advancing to meeting our goals and that another phase in our transformation journey lies ahead.

We undertook this journey as One Team with One Vision bounded by the resolve that what we design is what we shall implement. This resolve found expression in our political will to pilot the Integrated Development Plan (IDP) through all its stages by juxtaposing it to our ten year strategic plan commonly known as Matlosana Agenda 16, which has as its strategic priorities, which are:

- Excellence and Transformation;
- Democratic Governance;
- Quality Municipal and Social Service;
- Infrastructure and Utilities;
- Accelerated Economic Growth and
- Financial Sustainability

The placing together of our IDP and Agenda 16 was encouraged by our political will, the passion of our technocrats to implement our vision; the confidence of our people and the strategic support of our partners.

Indeed the transformation and development journey was undertaken as One Team with One Vision in our quest to be a well run city through good governance, where economic growth and prosperity and quality municipal service delivery places us amongst the five (5) leading local municipalities in South Africa by 2016.

The elevated active enthusiasm and interest of our communities and partners in service delivery sounded a firm assurance and belief that indeed advances are registered in our struggle to fight poverty, underdevelopment, unemployment, HIV/AIDS and illiteracy in our quest to build a caring society based on freedom, equality and dignity.

Actual progress registered to meet practical gender and youth needs through special Mayoral Projects and the concomitant practical experience learnt in the process during the period under review provided a niche to integrate these needs in our IDP and Agenda 16.

Buildings on this foundation, the provision of basic services and infrastructure development within a physical and financial stable and sustainable environment have been expeditiously accomplished.



Some of the successes registered during the 2006/2007 financial year are the following:

- Participatory democracy through public participatory strategies was an integral part of our broader vision, activities and outreach program,
- Our financial status confirms the fact that we are sustainable and indeed a going concern
- We delivered considerably on our housing projects
- N12 economic development project is on course in line with our LED Strategy
- 28% of our budget was used for the remuneration of our staff;
- Just over 1% was used to pay the allowances of councillors;
- 23% of the budget was used for the purchase of electricity and water from the bulk suppliers;
- 9% was used to cover possible debts;
- 168 million was spent on capital infrastructure and the bulk of it was used for investment in infrastructure such as roads and storm water, internal reticulation as well as electricity;
- The expenditure of more than R50 million on internal reticulations and wastewater treatment plant has helped us to be on course to eradicate the buckets.
- R30 million was spent on road infrastructure, street lights and the upgrading of electrical networks;
- Other capital projects included the resealing of our roads; water supply and sanitation in rural areas; the solid waste handling and disposal; the water meter replacement in our city; the refurbishment of our court building and the extension of the market hall.



We paid particular attention on the needs and aspirations of our youth and women and in this regard the following were registered:

- We launched the Mayoral Environment Management Project which is currently employing 400 young people,
- We funded more than 32 youth businesses from the R 1million set aside in the Mayoral Youth Development Fund;
- We awarded more than 140 students with bursaries and all of them are studying at different institutions of learning across the country;

Finally, the IDP process will remain the springboard and benchmark for Matlosana to provide good governance through economic growth, investment attraction and speed up service delivery within the ambit and spirit of the contract that we have concluded with its diverse constituencies to build communities that work better, to ensure a better life for all and to meet our constitutional mandate as we soldier on to realize the 2014 national vision.



CLLR TS DODOVU  
EXECUTIVE MAYOR  
29 NOVEMBER 2007





## SPEAKER'S FOREWORD

In terms of chapter 4 of the Municipal Systems Act, (Act 32 Of 2000) municipalities are expected to engage their communities on matters affecting how its affairs are conducted. This process according to the Act requires municipalities to engage its communities by way of public participation. Public participation indeed forms the basis of our operation in serving our people, in order to achieve our constitutional obligation as a municipality. It is from the very same nature of a consultative government, that the Office of the Speaker at all times ensures that there is a clear communication strategy in place that link the municipality with our people. Over the last few years, this has been the challenge that the office has to deal with.

We have identified Compliance as a key focus area to improve on our public participation performance as we work towards achieving our objectives of Matlosana Agenda 16. We are all faced with compliance dilemmas and sometimes the decision we take can have unintended consequences. We therefore have established systems in place in order to improve compliance with the rules, procedures and good practices.

Evidently, the new approach to community development as encapsulated in the legislation governing the local sphere of government, has not only broadened the role of the Office of the Speaker in its internal functions, but it has also increased the scope of the work that the office needs to deal with at community level. Thus, from the office we strive at all to make our Councillors accountable to their constituencies by way of community gatherings (mass meetings). However, the Office of the Speaker endeavours to involve the community of this municipality to participate on issues that affect them directly. This process is done through the community meetings called by Councillors at ward level and by Mayoral Imbizo's which are called for the public to give comments and seek clarities on services they received from the municipality. It is for this reason that we challenged Councillors to initiate activities that addresses social-ills in our areas.

Therefore, it was strategic and purposeful to ensure that most functions performed by the office during 2006/2007 financial year were more of capacity building programme in order to capacitate both Councillors and ward committees. We were privileged, as the office to cover much ground in terms of Councillor Development Programme to capacitate Councillors on different aspects of Local Government to assist in performing their duties effectively. Some aspects of achievement cover the following; that is, all Councillors have undergone a workshop on Municipal Finance Management Act with the Provincial Treasury Department. Currently we have Councillors undergoing training on Certificate in Municipal Management with Southern Business School. In the light of limited



resources, we endeavour to capacitate Ward Committees as way of participatory democracy and good governance for them to be accountable and transparent to the community they lead. A two days Ward Committee Conference was held successfully on role clarification between the Community Development Workers, Ward Field Workers and Ward Committees.

I am satisfied that we have moved swiftly and decisively to deal with the challenge of capacitating the above mentioned areas in the Office of the Speaker. I am also convinced that given enough resources there can be improvement in developing the necessary human capital in order address our developmental goals in term of the Matlosana Agenda 16 objectives.

Through our outreach, programmes we have distribute food, clothes, blankets, etc. to the needy. The Speaker also as part of this programme celebrated her forty (40)-year birthday with the orphanage children around Matlosana in all of thirty (31) wards, where children we given gifts and food parcels.

This year's reports as you realize clearly indicates that indeed, we are on the right course and we need to maintain the momentum. In doing so, the office will continue to develop in a balanced manner, those activities that the office is constitutionally charged with in terms of the structures Act, and those activities that the office carries responsibility in terms of the systems Act.

To this end, it is our intention to maintain public participation as our core activity in our entire strategic programme. In general, the office has managed, in spite of all the odds, to maintain a functional and progressive ideal in achieving the City's vision and mission.

O.R. THABANCHU (MRS)  
COUNCIL SPEAKER



## MUNICIPAL MANAGER'S FOREWORD

Our long term objective as encapsulated in our Agenda 16 Vision Statement is to place our Municipality among the top 5 (five) Local Municipalities by 2016. We intend to achieve this through Excellence in conducting the affairs of the city, Growth by Attracting Investment and Stimulating Economic Growth and meeting the Service Delivery mandates and Improving the Quality of life of our people through efficient and quality service delivery.

Our focus is in line with the objectives of Local Government, as provided for under Section 152(1) of our Constitution, as well as the 7 (seven) National Key Performance Areas, which also forms the basis for Provincial Growth and Development Strategy, which is informed by the following KPA's:

- Excellence Transformation and Good Governance
- Quality Municipal and Social Services
- Meeting Infrastructure and Utility needs
- Accelerated Local Economic Growth
- Financial Sustainability

During the first term of the financial year under review, Council adopted the above strategic objectives with a view to conform to our Agenda 16 mission statement.

For completeness, practical and implementable purposes, the Agenda 16 Strategic Objectives were integrated with the IDP, which is Council's strategic document for service delivery in line with the needs and expectations of our community. The Agenda 16 driven IDP was then integrated with the budget to produce the Service Delivery and Budget Implementation Plan, which was used for performance monitoring.

From institutional transformation and good governance perspective, our city engaged in the alignment of our organizational structure, starting with top management, with the adopted strategies to ensure the realisation of our key objectives. We also dealt with the automation of the Performance Management System with the view to eliminating subjectivity and enhancing effective monitoring of our implementation processes.

When coming to Quality Municipal Services, we continued with the maintenance of acceptable levels of clean, safe and healthy environment. In recognition of our efforts, in this regard our city got a Professional Management Review Gold Award for cities/towns doing most in the Province for social upliftment as well a Silver Award for crime fighting.

With regard to infrastructure, it is indeed important to indicate that at the end of March 2007 our city had managed to spend hundred percent of Municipal Infrastructure Grant allocation for the financial year



under review. The challenge, which faced us at the end of Municipal Financial Year, however, was that of roll-overs for internal funded projects and which received pertinent attention in going forward.

In the area of Local Economic Development, our municipality received recognition award from Professional Management Review and Provincial Vuna Award where we obtained a Diamond Award for Cities/Towns doing most in the Province to attract local investments and Local Economic Development Key Performance Area Provincial Award respectively. The N12 development initiative on the other hand stands out as a flagship project that will not only boost the local economy but will also enhance integration from spatial development perspective.

Lastly, it is imperative to reflect on challenges facing us from financial management perspective notwithstanding the healthy position that our municipality enjoys as far as financial sustainability is concerned. The following deserves our attention:

- Acceptable external audit reports
- Reduction of the R0.5 billion outstanding debt and
- Improvement of our revenue collection to be above the 90% mark.

MM MOADIRA  
MUNICIPAL MANAGER



## MUNICIPAL OVERVIEW

### Geographic Profile

Klerksdorp is categorised as one of the main provincial centres, situated within the Southern District of the North West Province. According to its provincial status, it is ranked as a 'primary regional centre' within the 'transitional zone' from the metropolitan region, and it has a high level of facilitating economic growth based on its existing development potential and socio-economic needs-status. The municipality was classified as a Category B Municipality by the Municipal Demarcation Board, in terms of section 4 of the Local Government Municipal Structures Act, 1998. The municipality includes Klerksdorp, Orkney, Stilfontein and Hartbeesfontein.

The area has strong physical and socio-economic linkages and economic interactions with Gauteng, as well as other main towns like Potchefstroom, Rustenburg, Welkom, Ventersdorp, Wolmaransstad and Ottosdal.



The area has strong capabilities and comparative advantages with regard to the manufacturing of agricultural products, manufacturing for the mining industry, beehive developments and retail in general. In all sectors, labour-intensive employment opportunities are promoted. In addition to the above, Klerksdorp is located in the N12 Treasure Corridor (164km South West of Johannesburg on the N12 to Cape Town and covers an area of 3 562 km<sup>2</sup>). Hence, it forms one of the main provincial priorities for purposeful development in concentrated zones along the three corridors in the province.

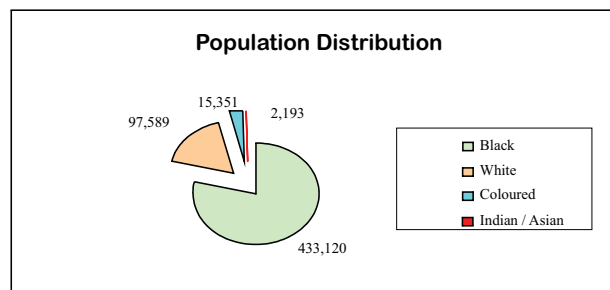
It is one of Council's strategic objectives to promote forthcoming initiatives from the N12 Treasure Corridor, to ensure local economic development and industrialization for Klerksdorp.

### Demographic Profile



With a population of 548 253 the City of Matlosana is still the largest local municipality within the Southern District. According to National Census information the gender distribution is very equally at 49,6% male and 50,4% female.

The black population group represents 79% of the population while white population make up 17,8%; coloured population 2,8% and the Indian/Asian population make up 0.4%.

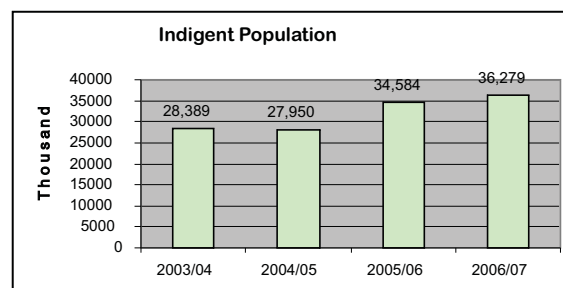


The estimated growth in population for the past year is 7 054 or 0,99%.

### General Profile

Estimates from the Development Planning and Building Survey section indicate the following household totals:-

Financial Year	Formal / Informal Housing	Villages
2004/05	108 107	287
2005/06	116 092	292
2006/07	118 199	307



## EXECUTIVE SUMMARY

To enhance the City of Matlosana's Integrated Development Plan (IDP) a strategic decision to apply a stronger mission, an aggressive vision was developed. In order to give effect to achieve the vision and mission 16 critical key priorities for the city, has been formulated, which will lead to the city to greater heights and improve service delivery to the community. The Matlosana Agenda 16 Strategic Plan was adopted by Council per Executive Mayor resolution, EM 210/2006 dated 13 November 2006.

The mission and vision are as follows: -

### OUR MISSION

**EXCELLENCE IN CONDUCTING THE AFFAIRS OF THE CITY**

#### EXCELLENCE



#### GROWTH

ATTRACTING INVESTMENT  
AND STIMULATING  
ECONOMIC GROWTH

#### DELIVERY

BY MEETING THE SERVICE  
DELIVERY MANDATES AND IMPROVING  
THE QUALITY OF LIFE OF OUR PEOPLE

### OUR VISION

**MATLOSANA IS A WELL RUN CITY THROUGH GOOD GOVERNANCE**



ECONOMIC GROWTH  
AND PROSPERITY

AND QUALITY MUNICIPAL  
SERVICE DELIVERY

**PLACE IT AMONGST THE 5 LEADING LOCAL MUNICIPALITIES BY 2016**





## AGENDA 16: STRATEGIC PLAN

Agenda 16 is built on 3 strategic pillars. **Excellence**, through attracting investment to stimulate **Economic Growth** and **Excellence** through **Service Delivery** to fulfil the needs of the community.

Agenda 16 recognizes that stimulating economic growth for prosperity and equality is of utmost importance and addresses this priority by brining city branding and marketing to the fore. Without an aggressive marketing campaign and an investment policy, we will fail to attract investment into Matlosana, and in turn will fail the commitment made to the community for the creation of jobs and alleviation of poverty.

The Agenda 16 strategic plan for Council for the next 10 years can be summarized as follows:-



Agenda 16 Indicators & Targets			
STRATEGIC PRIORITIES	KEY PERFORMANCE AREAS (STRATEGIC PROGRAMMES)	OBJECTIVE	INDICATOR & TARGET
1. Excellence & Transformation in Leadership, Management, Governance	The City Report Card	To develop a mechanism for Assessing the City's Standing with reference to the Level of Excellence in Leadership, Management & Governance	<ul style="list-style-type: none"> <li>City Report Card Mechanism &amp; Methodology Developed by June 2007. Reviewed Annually</li> <li>Annually Partaking in Vuna &amp; PMR Award Systems</li> </ul>
2. Democratic Governance	Public Participation, Communication and Customer Care	To develop a Programme for enhancing Public Participation of All Groups, to the extent where the Public's Contribution becomes a major Driver towards achieving the City's Vision	<ul style="list-style-type: none"> <li>Comprehensive &amp; Effective Ward Meetings are held Quarterly</li> <li>Effectiveness Scores of 7+ are achieved on Ward Meeting Score Cards by Oct 07</li> <li>A Customer Care Communication Centre (One-Stop-Shop) is developed by Dec 2007</li> </ul>



STRATEGIC PRIORITIES	KEY PERFORMANCE AREAS (STRATEGIC PROGRAMMES)	OBJECTIVE	INDICATOR & TARGET
3. Quality Municipal & Social Services	Safety & Security	To establish, in collaboration with all Authorities & Stakeholders a Safe & Secure Environment within Matlosana City	<ul style="list-style-type: none"> <li>Safety &amp; Security Strategy &amp; Action Plan developed in collaboration with SAPS and Others by Jun 07</li> <li>Disaster Management Plan by Jun 07</li> <li>Develop Plan by Jun 07</li> </ul>
	HIV, Aids, TB	Develop Action Plan to Support National Initiatives	<ul style="list-style-type: none"> <li>Provide Proof of Supporting National Programme</li> </ul>
	Sustainable Environmental Management	Develop Action Plan to enhance the Appearance of The City and the Environment	<ul style="list-style-type: none"> <li>Plan developed by Jun 07</li> <li>Partake in Cleanest City Award Programme annually and be amongst 5 Leaders, Nationally</li> </ul>

STRATEGIC PRIORITIES	KEY PERFORMANCE AREAS (STRATEGIC PROGRAMMES)	OBJECTIVE	INDICATOR & TARGET
4. Infrastructure & Utility Needs	Provision of Housing	To provide an Acceptable Level of Residential Service to All Groups	<ul style="list-style-type: none"> <li>Future Land Development Plan by Jun 07. Reviewed Annually</li> <li>All Subsidized Housing Projects to be Completed as per the Applicable Programme</li> </ul>
	Existing Infrastructure Maintenance	To develop a System for Control & Management of City Assets	<ul style="list-style-type: none"> <li>100% OF Annual Capital Plan is delivered on the Relevant Projects</li> <li>A Bulk Services 10yr Master Plan is developed by Oct 07</li> <li>An Infrastructure Maintenance Plan is developed by April 07</li> <li>14 000 Buckets are eliminated by Dec 07</li> <li>Develop an Asset Register by Jun 08 inclusive of Disposition, Maintenance &amp; Replacement Procedures and keep Register up to date at all times</li> </ul>
	Existing Infrastructure Backlog & Upgrade		
	New Bulk Services & Infrastructure		
	Asset Management		

STRATEGIC PRIORITIES	KEY PERFORMANCE AREAS (STRATEGIC PROGRAMMES)	OBJECTIVE	INDICATOR & TARGET
5. Accelerated Economic Growth (Poverty Relief, Job Creation, LED, RED)	Sustainable New Projects	To create An Environment where Local & Rural Economic Growth is Enabled and Accelerated	<ul style="list-style-type: none"> <li>500 Jobs are Facilitated Annually through Municipal Programmes &amp; Projects (30% Youth)</li> <li>Unemployment is reduced by 5% annually against an established Baseline</li> <li>The Number of Families with Income of Less Than R1 100 is reduced by 5% per annum</li> </ul>
	Rural Economic Development (Energy)		
	SMME Development	A Programme is developed for Creating Sustainable SMME's	<ul style="list-style-type: none"> <li>SMME Strategy &amp; Action Plan developed by April 07</li> <li>Sustainable SMME's show Growth of 10% + per annum</li> </ul>
	City Branding / Marketing / Tourism	A Brand for Matlosana, with potential to be Highly Recognizable & Highly Regarded is developed	<ul style="list-style-type: none"> <li>Brand developed by April 07</li> </ul>

STRATEGIC PRIORITIES	KEY PERFORMANCE AREAS (STRATEGIC PROGRAMMES)	OBJECTIVE	INDICATOR & TARGET
6. Financial Sustainability	Cash flow Management & Revenue Enhancement	To Enhance Financial Controls in line with National Indicators for Debt Coverage, Service Debtors and Available Cash Reserves	<ul style="list-style-type: none"> <li>Service Debtor Payment Rate 90% + Dec 08</li> <li>Debtor Days 60+ improve by 30% by Dec 08</li> <li>Debtor Days 90+ improve by 20% by Dec 08</li> <li>Debtor Days 120+ improve by 10% by Dec 08</li> <li>Cash Management and Debt Coverage as per National Indicators</li> </ul>
	Public Private Partnership	To Re-examine the Proposal for Creating Public Private Partnerships in the area of Non-Core Functions	<ul style="list-style-type: none"> <li>Re-examined Proposal Tabled by Jun 07</li> </ul>





# CHAPTER 2

*Performance Highlights*





# Performance Highlights

Performance evaluation for the organization and the various departments takes place once a year and conducted, as far as possible in line with council's performance evaluation system.

## FREE BASIC SERVICES

Given the level of poverty in Matlosana municipal area and in order to comply with national directives and policy, the municipality introduced a policy of free basic services to residents.

### Water

All households in Matlosana area currently qualify for the first 6 kl of water a month free of charge.

Council also adopted the minimum level of a water service to be a water connection in each erven, instead of a 200m communal standpipe.

### Sanitation

The Council adopted the minimum level of sanitation service to be a sewer connection to each erven from water borne sewer reticulation, serving a flushing toilet system on the relevant erven.

### Electricity

Indigent households in Matlosana area received 50 KWh of free electricity per 30 days period.

## KEY SERVICES

The following statistics show the key services provided during the period under review:-

DETAIL	2004/05	2005/06	2006/07	INCREASE
Nr. of households electrified during year	300	1 200	1 801	601
Nr. of households provided with water	3 424	4 467	5 015	548
Nr. of new houses build	1 825	1 690	4 996	3 306
Collection levels for revenue due		84,94%	86,84%	1,9%

The total electricity and water consumption for the Matlosana area for the past 3 financial years are as follows:-

FINANCIAL YEAR	ELECTRICITY PURCHASED FROM ESKOM	WATER PURCHASED FROM MIDVAAL WATER COMPANY	ELECTRICITY DISTRIBUTION LOSSES	WATER DISTRIBUTION LOSSES
2004/05	548 290 858 Kwh	22 129 449 Kl	17,36%	28,37%
2005/06	553 430 700 Kwh	22 593 861 Kl	15,90%	28,28%
2006/07	546 499 242 Kwh	24 793 434 Kl	10,80%	23,82%

## BACKLOGS ON SERVICE DELIVERY

The biggest challenge for Council is not to create unrealistic expectations, but to develop a medium to long term strategy to address backlogs and to ensure that the community is involved, understand and adopt the strategies.



The following tables indicate the backlogs Council is facing regarding water, sanitation and housing:-

WATER BACKLOGS (6kl/month)	2004/2005			2005/2006			2005/2006		
	Backlogs	Target	Achieved	Backlogs	Target	Achieved	Backlogs	Target	Achieved
Nr. Households not receiving minimum standard of service	4 978	2 424	2 424	2 554	1 398	1 398	1 150	1 026	896
% - Households identified as backlogs / total households in municipality *	2,1	2.4	3,4	3,6	2,0	2,0	3	1,2	1,2
Spending on new infrastructure to eliminate backlogs (R'000)	9 956	4,13	4,13	5 108	2 498	2 498	2 610	2 610	2 610
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	-	3,01	3,01	-	8 794	8 794	-	5 451	5 451
Total spending to eliminate backlogs (R'000)	27 677	2 037	2 037	25 640	25 640	25 640	20 055	20 055	20 055
Spending on maintenance to ensure no new backlogs created (R'000)	113 664	113 664	113 664	122 850	122 850	122 850	212 962	212 962	212 962

\* Based on total water metres = 75 621

SANITATION BACKLOGS	2004/2005			2005/2006			2006/2007		
	Backlogs	Target	Achieved	Backlogs	Target	Achieved	Backlogs	Target	Actual
Nr. Households not receiving minimum standard of service	16 194	1 662	1 662	14 532	1 752	1 752	14 402	0	0
% - Households identified as backlogs / total households in municipality	25,1*	1,9	1,9	16,9	2,05	2,05	1 646**	0	0
Spending on new infrastructure to eliminate backlogs (R'000)	74 842	29 225	29 225	45 617	45 617	45 617	37 316	37 316	37 316
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	24 817	8 335	8 335	16 482	16 482	16 482	23 398	23 398	23 398
Total spending to eliminate backlogs (R'000)	107 994	49 280	49 280	58 714	58 714	58 714	60 714	60 714	60 714
Spending on maintenance to ensure no new backlogs created (R'000)	48 610	48 610	48 610	56 096	56 096	56 096	56 096	56 096	56 096

\* Additional erven developed since 2005 - 5 000 Scheme

\*\* No of Households - 87 474



ROADS BACKLOGS	2004/2005			2005/2006			2006/2007		
	Backlogs	Target	Achieved	Backlogs	Target	Achieved	Backlogs	Target	Achieved
Nr. Km not providing minimum standard of service	614	5	5	660	23	23	659	8.4	8.4
% - Km identified as backlogs / total km	37,0	0,3	0,3	38,5	1,3	1,3	40	0.51	0.51
Spending on new infrastructure to eliminate backlogs (R'000)	550 000	2 900	2 900	920 000	29 200	29 200	1 169 300	14 905	14 905
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	127 000	-	-	150 000	6 050	6 050	21 000	3 500	3 500
Total spending to eliminate backlogs (R'000)	-	2 900	2 900	101 000	35 250	35 250	1 190 300	18 405	18 405
Spending on maintenance to ensure no new backlogs created (R'000)	-	22 300	22 300	30 000	27 300	27 300	101 000 45 000	35 250 27 700	35 250 27 700

REFUSE REMOVAL BACKLOGS	2004/2005			2005/2006			2006/2007		
	Backlogs	Target	Achieved	Backlogs	Target	Achieved	Backlogs	Target	Actual
Nr. Households not receiving minimum standard of service	No Backlogs	0	0	No Backlogs	0	0	No Backlogs	9 040	8 340
% - Households identified as backlogs / total households in municipality	0	0	0	0	0	0	0	0	0
Spending on new infrastructure to eliminate backlogs (R'000)	161 000	161 000	161 000	1 575 000	1 575 000	1575000	1 600 000	250 000	500 000
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	245 000	245 000	245 000	245 000	245 000	245 000	250 000	100 000	100 000
Total spending to eliminate backlogs (R'000)	0	0	0	0	0	0	0	0	0
Spending on maintenance to ensure no new backlogs created (R'000)	0	0	0	0	0	0	0	0	0



ELECTRICITY BACKLOGS (50Kwh/ month)	2004/2005			2005/2006			2006/2007		
	Backlogs	Target	Achieved	Backlogs	Target	Achieved	Backlogs	Target	Actual
Nr. Households not receiving minimum standard of service	1 000	680 000	680 000	No Backlogs	-	-	17 621	1 621	1 567
% - Households identified as backlogs / total households in municipality	-	-	-	-	-	-	42%	9%	8.9%
Spending on new infrastructure to eliminate backlogs (R'000)	-	408 000	392 000	-	185 000	179 520	2,265,000	2,265,000	2,265,000
Spending on renewal of existing infrastructure to eliminate backlogs (R'000)	-	0	0	-	941 189	941 189	7,000,000	7,000,000	7,096,279
Total spending to eliminate backlogs (R'000)	-	680	680	-	4,5m	4,5m	9,196,200	9,196,200	9,196,200
Spending on maintenance to ensure no new backlogs created (R'000)	-	2,87m	2,87m	-	3,51m	3,50m	8,2m	8,2m	8,2m

## CHALLENGES ON BACKLOGS

### Sanitation

Resources to eradicate sanitation backlogs in the short term are not sufficient, but major progress has been made in eliminating the bucket system that should be completely phased out by the end of 2007.

A program to eliminate the night soil bucket system is as follows:-

BACKLOGS	2005/06	2006/07	2007/08	2008/09
Statuary backlogs	27 827	13 568	13 568	0
Minus erven being developed	9 090	0	0	0
Current number of night soil buckets	18 737	13 568	13 568	0
Eradicate during financial year	5 169	500	13 568	0
Number of buckets at end of financial year	13 568	13 568	0	0

All new housing projects will be equipped with a proper sewerage from the outset.

### Electricity

The Eskom has a backlog of 17 621 households that do not have access to Free Basic Electricity as per our indigent data register.

50 Kwh of electricity per household per month is required to meet the minimum service standard.

Street lighting remains a challenge in some areas. To address this challenge, applications are submitted with business plans to the MIG for funding in addition to the funds provided through the IDP in the Council's budget.

### Municipal Infrastructure

Aging municipal infrastructure is another challenge Council needs to address. More budgetary attention has been given to the aging municipal infrastructure for maintenance of the present assets, such as roads, electricity network,



water reticulation and sanitation systems. Some of the projects identified for the 2007/2008 financial year are listed as follows:-

- Replacement of Water Meters
- IDP Reline Van Riebeeck Road Water Main
- Upgrading of Orkney Water Treatment Works
- Reline Orkney: Construction of Outfall Sewer
- Resealing of Roads: City of Matlosana
- Street names
- Provision of guidance signs within KOSH area
- Provision of Taxi lay byes within KOSH area
- Upgrading of Highmast Lights (All areas)
- Upgrading 11Kw Distribution Network Northern Suburbs
- Upgrading Substation Hartbeesfontein
- Replace Kiosk with Mini Substation

## Payment Rates

The payment of rates and services of 86.2% have been currently achieved, but still does remain a challenge when compared to the number of households.

This will also be a challenge to all Councillors to improve the situation.

## Roads

The former Townships have mainly gravel and graded roads. The tarring taxi routes are in process and are money provided yearly on the budget for this purpose. MIG funding was approved for the tarring/paving of taxi routes in the 2008/09 financial year.

## Housing

Due to the rapid urbanization and the economic factors prevailing, it is difficult to keep up with demanded provision of housing for all deserving households. While a huge housing stock has been recently delivered by this municipality through normal housing subsidies, other options, such as public private partnerships to produce social housing are being examined in addition with what is provided for in the IDP.

## Job Creation

At present some jobs are being created through projects financed by MIG funds and these will continue for as long as funding is available for such projects.

Along with this support is given to SMME's for establishing own steady businesses that in turn create jobs. Business plans are also been submitted to possible funders for the establishment of sustainable projects that can provide long term jobs.

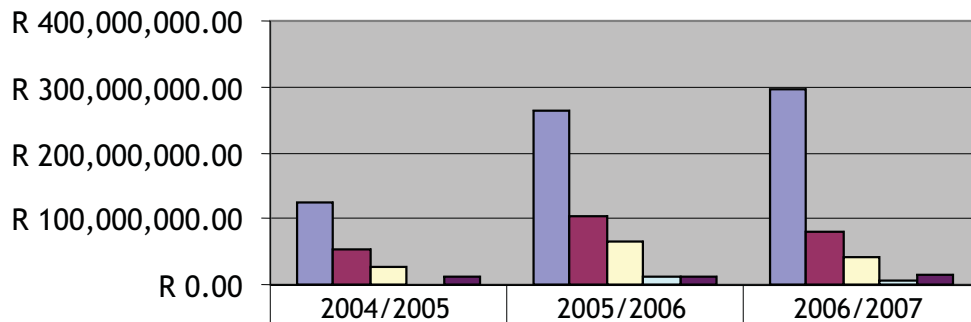
## BUILDING PLANS

The following table indicate the number of applications for building plans received for 2005/2006 and 2006/07, as well as the outstanding building plan applications as on 30 June 2007:-

Building Plans	2005/2006		2006/2007		
	Applications Outstanding 1 July 2005	Applications Received 2005/2006	Applications Outstanding 1 July 2006	Applications Received 2006/2007	Applications Outstanding 30 June 2007
Residential New	80	730	98	754	180
Residential Additions	80	384	7	625	120
Commercial	5	15	0	19	6
Industrial	0	19	1	6	1
Other	40	311	4	872	134



## TOTAL VALUE OF APPLICATIONS RECEIVED IN RAND



	2004/2005	2005/2006	2006/2007
New Residential	R 124,000,000.00	R 262,795,800.00	R 295,203,800.00
Residential Additions	R 54,384,800.00	R 104,000,000.00	R 80,053,800.00
Commercial	R 27,000,000.00	R 64,621,700.00	R 40,187,300.00
Industrial	R 100,000.00	R 11,097,300.00	R 5,259,100.00
Other	R 13,000,000.00	R 12,838,000.00	R 14,469,500.00



# CHAPTER 3

## *Human Resources And Other Organizational Management*





## ORGANIZATIONAL STRUCTURE

With the adoption of a new vision and strategy for Matlosana (Agenda 16) a new top level organizational structure was approved. The structure makes provision for five directorates and a support services unit in the Office of the Municipal Manager.

The directorates and support services unit is directly accountable to the Municipal Manager, which narrows the span of responsibility and ensure better management and control. It also addresses current legislation and Council's aim in alleviating poverty, creating of jobs and to enhance economic growth.

The top level organizational structure is as follows:-

- Municipal Support Services Unit
- Directorate Infrastructure & Utilities
- Directorate Finance
- Directorate Corporate Governance
- Directorate Municipal & Social Services
- Directorate Economic Growth

At closing of the financial year, a total of 2 732 posts exist on the organogram, with a total of 1 886 posts filled and 846 posts vacant.

The approved top-level organizational structure appears on page 26.

## Job Evaluation

At the end of June 2007, approximately 80% of the job descriptions for all approved posts on Council's organogram were completed and submitted to the Task Job Evaluation Committee for evaluation.

## Performance Management

The objective of Performance Management is to improve the performance of the municipality as guided by the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) (MSA), Local Government: Municipal Planning and Performance Management Regulations, 2001 and Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA).

In terms of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) the City of Matlosana is classified as high capacity municipality and is required to compile a service delivery and budget implementation plan (SDBIP) for each financial year.

The SDBIP comprise the following key components:-

- Monthly projections by source;
- Monthly projections of capital and operating expenditure and revenue by vote;
- Quarterly projections of service delivery targets and performance indicators by vote;
- Ward information for expenditure and service delivery; and
- A detailed capital works plan.

The 2006/2007, SDBIP provided an implementation tool for Council to strengthen local accountability and governance and to improve capital spending and service delivery.

The SDBIP outlined the key performance objectives and indicators as well as quarterly projections of service delivery targets and actual targets achieved.

The SDBIP ensured proper monitoring of key strategic priorities, but also served as the annual performance contracts for section 57 employees.

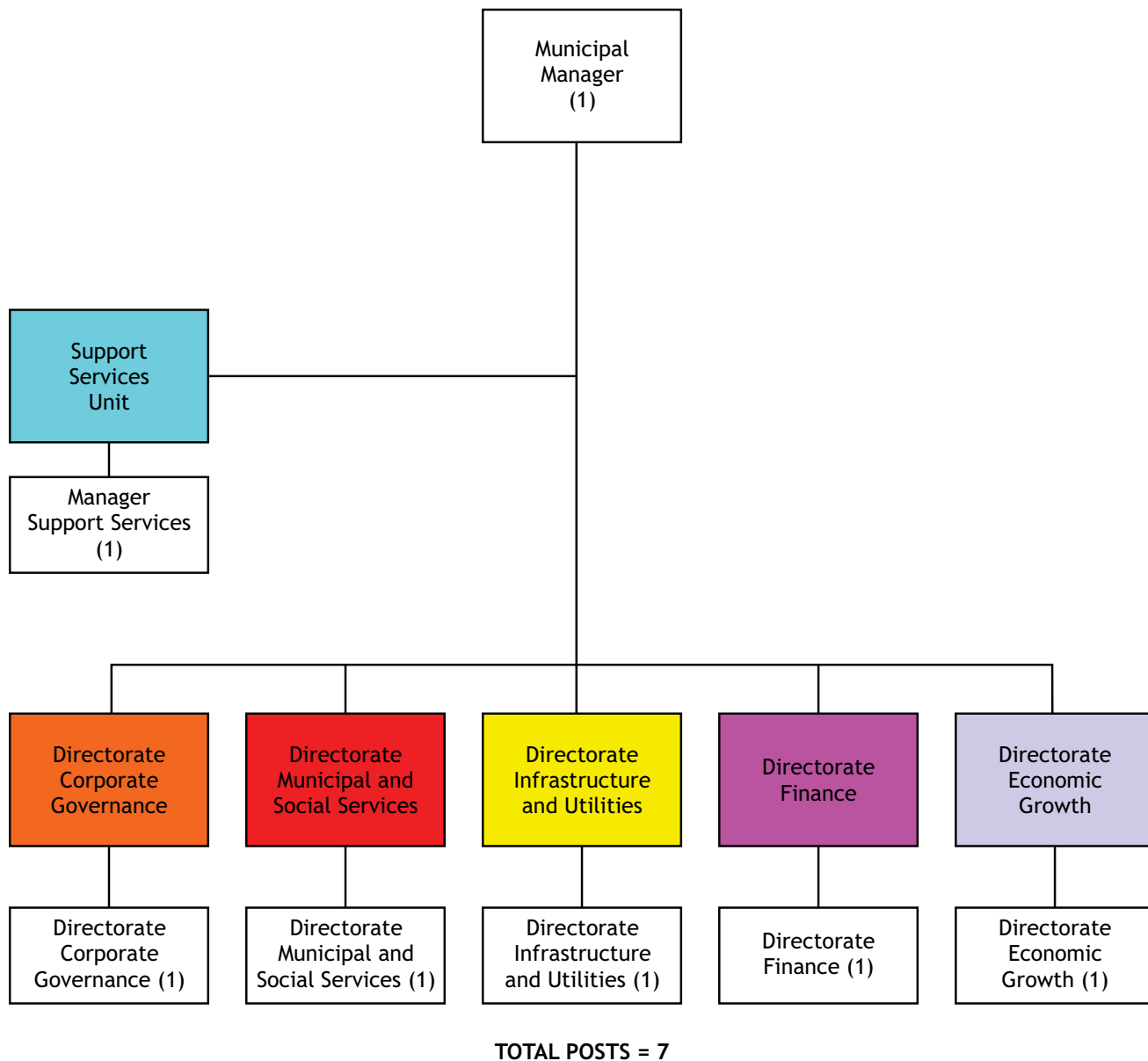


It empowered Councillors, specifically facilitating engagement at ward level, to undertake the appropriate oversight and the monitoring of programmes.

The Executive Mayor approved the 2007/2008 SDBIP and performance agreements on 28 June 2007. These documents will be used for monitoring performance of directors and departments in the new financial year.

The Performance Management System of Council becomes more efficient and effective every year. The Performance Management System for the 2007/2008 financial year will be entering a new phase, as a management information system and action tracker was purchased. The Service Delivery and Budget Implementation Plan will be computerized, which will ensure regular monitoring and reviewing of strategic programmes and IDP priorities of Council. Roll-out of the system and training will commence early in the new financial year.

### CITY OF MATLOSANA - TOP LEVEL STRUCTURE



## STAFF & EMPLOYMENT EQUITY PROFILE

The tables below reflect the number of approved, filled and vacant positions per department and a breakdown of staff per occupational category and gender:-

### Breakdown of staff per occupational category and gender

Occupational Categories	Male				Female				TOTAL
	Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Legislators, senior officials and managers	19	0	0	16	4	0	0	2	41
Professionals	27	4	0	32	18	1	0	19	101
Technicians and associate professions	25	8	0	23	3	0	0	2	61
Clerks	62	4	0	12	122	10	3	59	272
Service and sales workers	82	8	1	27	83	3	0	9	213
Skilled agricultural and fishery workers	0	0	0	4	1	0	0	0	5
Craft and related trades workers	58	4	1	27	2	0	0	0	92
Plant and machine operators & assemblers	140	4	0	4	2	0	0	0	150
Elementary occupations	782	5	1	3	137	1	0	0	929
<b>TOTAL</b>	<b>1195</b>	<b>37</b>	<b>3</b>	<b>148</b>	<b>372</b>	<b>15</b>	<b>3</b>	<b>91</b>	<b>1864</b>
<b>Non-Permanent Employees</b>	17	0	0	0	4	0	0	1	22
<b>GRAND TOTAL</b>	<b>1212</b>	<b>37</b>	<b>3</b>	<b>148</b>	<b>376</b>	<b>15</b>	<b>3</b>	<b>92</b>	<b>1886</b>

### Total number of staff (excluding temporary employees)

DEPARTMENTS	APPROVED POSTS	FILLED POSTS	VACANT POSTS
Office Of The Municipal Manager	26	18	8
Civil Engineering Services	551	382	169
Financial Services	193	142	51
Community Services	993	713	280
Housing Services	40	20	20
Fresh Produce Market	41	37	4
Electrical Services	216	134	82
Corporate Services	136	104	32
Health Services	180	74	106
Public Safety	343	232	111
Economic Affairs & Corporate Communication	13	8	5
<b>TOTAL</b>	<b>2 732</b>	<b>1864</b>	<b>868</b>



## Employment equity profile

Post Level	2005/2006								2006/2007							
	Male				Female				Male				Female			
	B	C	I	W	B	C	I	W	B	C	I	W	B	C	I	W
0	2	0	0	1	0	0	0	0	3	0	0	2	1	0	0	0
1	2	0	0	3	1	0	0	0	1	0	0	2	1	0	0	0
2	7	0	0	2	1	0	0	0	6	0	0	2	0	0	0	0
3	9	0	0	8	1	0	0	1	9	0	0	10	4	0	0	2
4	2	0	0	4	2	0	0	2	2	0	0	4	1	0	0	2
5	12	2	0	11	4	0	0	6	13	2	0	12	5	0	0	5
6	8	2	0	10	6	0	0	6	12	2	0	9	11	0	0	8
7	14	1	0	9	6	0	0	5	16	1	0	14	3	0	0	5
8	10	1	1	14	8	0	0	7	11	5	1	17	10	1	0	7
9	32	6	0	30	34	1	0	10	29	7	0	29	22	0	0	6
10	40	3	0	16	19	0	2	27	38	3	1	12	19	1	1	20
11	18	1	0	14	13	1	0	12	23	1	0	2	13	1	0	12
12	52	7	0	13	19	2	1	4	61	6	0	14	22	1	1	4
13	27	0	0	7	22	3	0	9	36	1	0	7	40	3	0	12
14	30	2	1	0	23	3	0	0	32	2	0	0	39	2	0	1
15	95	2	0	1	45	5	0	15	102	2	0	4	46	5	1	7
16	58	2	0	6	9	0	0	0	53	0	0	6	7	0	0	0
17	111	2	1	2	7	0	0	0	124	2	1	0	1	0	0	0
18	17	0	0	0	10	1	0	1	16	0	0	0	8	1	0	0
19	616	1	0	2	72	1	0	0	608	3	0	2	119	0	0	0
Total	1162	31	3	153	302	17	3	104	1195	37	3	148	372	15	3	91
Grand Total	1 775								1864							

## SKILLS INFORMATION

The following training has been provided in the various occupation categories to improve skills development:-

Occupational Categories	Post Levels	Male				Female				TOTAL
		Black	Coloured	Indian	White	Black	Coloured	Indian	White	
Legislators, senior officials and managers	0-3	35	0	0	5	31	0	0	5	76
Professionals	4-6	25	5	0	5	10	0	0	5	50
Technicians & associate professions	7-9	10	0	0	15	2	0	0	0	47
Clerks	10	10	2	0	5	10	3	0	10	40
Service and sales workers	10	5	2	0	5	2	0	0	1	15
Skilled agricultural and fishery workers	10	0	0	0	0	0	0	0	0	0
Craft and related trades workers	11-12	15	8	0	10	5	0	0	0	38
Plant and machine operators & assemblers	13-15	15	0	0	0	0	0	0	0	15
Elementary occupations	16-19	67	0	0	0	32	0	0	0	99
<b>TOTAL</b>		<b>182</b>	<b>17</b>	<b>0</b>	<b>45</b>	<b>92</b>	<b>3</b>	<b>0</b>	<b>20</b>	<b>359</b>



The following table indicate Council's actual training expenditure and levies paid, as well as monies received from SETA for the Financial Years 2004/2005, 2005/2006 and 2006/2007:-

DETAIL	2004/2005	2005/2006	2006/2007
Expenditure & Levies	R1,730,060	R2,261,233	R2,455,614
SETA	R298,509	R1,234,669	R795,911

## TOTAL PERSONNEL EXPENDITURE TRENDS IN THE LAST FOUR YEARS

The following table reflects the total personnel expenditure trends from 2004 to 2007:-

FINANCIAL YEAR	R	% OF TOTAL BUDGET
2004/2005	185,665,931.76	30.42%
2005/2006	186,304,754.00	25.00%
2006/2007	206,210,619.00	28.25%

## PENSION AND MEDICAL AID FUNDS

### Pension Funds

The composition of membership per pension and provident fund was as follows:-

PENSION FUND	NUMBER OF MEMBERS
Municipal Gratuity Fund	953
National Fund for Municipal Workers	245
Group Fund for Municipal Workers	237
Joint Municipal Pension fund	55
Sala Pension Fund	132
Municipal Councillors Pension Fund	58
Municipal Employees Pension Fund	429
Meshawu Pension fund	5
Samwu Pension Fund	21
<b>Total</b>	<b>2 135</b>

The Council's budget for the 2006/2007 Financial Year pertaining to the employers' contribution to pension and provident funds was R31,985,619.

### Medical Aid Funds

The medical aid funds are accredited by the South African Local Government Bargaining Council (SALGBC). The Council's budget for the 2006/2007 Financial Year pertaining to the employer's contribution to medical aid funds was R17,208,499.

Membership of the medical aid funds were as follows:-

MEDICAL AID FUND	NUMBER OF MEMBERS	EMPLOYER'S CONTRIBUTION
Munimed	257	6129820.43
Hosmed	194	3617689.19
Bonitas	238	3401536.80
Global Health	5	111156.36
LA Health	74	521956.80
Medshield	3	59847.48
Samwu Med	136	889479.60
Profmed	1	12168.00
<b>Total</b>	<b>909</b>	<b>R14,743,654.66</b>



## OUTSTANDING MONIES

Outstanding monies owed to the municipality by Councillors and staff are as follows:

The following Councillors had arrear accounts outstanding for more than 90 days at :	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
Councillor Dodovu TS	2 171	450	1 721
Councillor Mohoase PL	9 634	386	9 248
Councillor Pooe PR	269	167	102
Councillor Sethunya MP	16 068	4 591	11 477
Councillor Sishuba MS	238	234	4
<b>Total Councillor Arrear Consumer Accounts</b>	<b>28 381</b>	<b>5 829</b>	<b>22 552</b>

Personnel Detail	Employee Number	Present Arrears Jun-07
		R
Baholo N	450123	4,101.04
Bhiyo MJ	22805	7,860.28
Bosman A	12770	1,941.70
Chaka NS	51038	2,360.01
Choma MI/SA	97000	1,402.29
Coetzee JC	059	112.91
Dumasi SP	51027	721.08
Dupper CJ	4011	624.02
Fihla M	22904	2,809.21
Fourie SAB	48155	7,116.02
Gcuwa NF	48425	7,441.03
Gwanda W	01110	658.60
Jas T	200129	1,437.64
Kalane PD	30090	2,611.05
Kgalapa MS	72454	3,539.63
Khulu MI	46404	847.44
Khumalo C	30088	7,363.71
Krisjan TS	23198	3,384.57
Kruger M/E	10175	815.24
Leeto T	20123	3,192.09
Lefu	22820	3,194.57
Leokaoke AM	51035	2,145.69
Mahloane MB	1079	800.30
Makanya TS	500006	3,343.16
Maponya WK	96904	1,103.01
Mariti TI	00192	5,951.76
Masawe TP	22937	4,982.10
Mashwabane TI	12606	720.36
Matenche NP	300301	6,816.45
Matsitla MA	926	3,476.85
Matsoetlane PP	28007	11,625.84
Matsoetlane PP	28007	2,870.58
May JH	23194	3,358.24
Mdingi SM	150322	4,355.31
Mkhandlwana M	500004	5,294.45
Mkino TA	86400	1,037.94
Mloma C	350050	10,228.21
Mnisi V	12938	7,190.41
Moabi PM	48477	2,199.92





## DISCLOSURE CONCERNING EXECUTIVE COUNCILLORS AND DIRECTORS

The following table reflects the remuneration for Executive Councillors and directors:-

REMUNERATION OF COUNCILLORS			2007
			R
Executive Mayor			458 004
Speaker			361 891
Mayoral Committee Members (Councillors: 8)			3 207 666
Councillors (Councillors: 51)			6 785 132
Councillors pension contribution			0
Councillors medical contribution			0
<b>Total Councillors' Remuneration</b>			<b>10 812 693</b>
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of Council. The Executive Mayor has use of a Council owned vehicle for official duties.			

Remuneration of the Municipal Manager			2007
			R
Annual Remuneration : Package			447 750
Performance Bonuses			60 589
Car Allowance			0
Contributions to UIF, Medical and Pension Funds			0
<b>Total</b>			<b>508 339</b>
Remuneration of the Chief Finance Officer			
Annual Remuneration : Package (Section 57 appointment from 15 March 2007)			187 456
Performance Bonuses			0
Car Allowance			0
Contributions to UIF, Medical and Pension Funds			0
<b>Total</b>			<b>187 456</b>

Remuneration of Managers	2007 R	2007 R	2007 R	2007 R
	Director Infrastructure & Utilities : Section 57 appointment from 1 July 2007	Director Municipal & Social Services : Section 57 appointment from 4 December 2006	Director Corporate Services & Governance : Section 57 appointment from 12 January 2007	Director Economic Development & Procurement : Section 57 appointment from 1 January 2007
Annual Remuneration : Package	0	365 122	303 452	276 923
Performance Bonuses	0	0	0	0
Car Allowance	0	0	0	0
Contributions to UIF, Medical and Pension Funds	0	0	0	0
<b>Total</b>	<b>0</b>	<b>365 122</b>	<b>303 452</b>	<b>276 923</b>









# CHAPTER 4

*Audited Financial Statements And Related Financial Information*



# REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL AND THE NORTH WEST PROVINCIAL LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE CITY OF MATLOSANA FOR THE YEAR ENDED 30 JUNE 2007

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I was engaged to audit the accompanying financial statements of the City of Matlosana which comprise the statement of financial position as at 30 June 2007, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 40 to 97.

### Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

### Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing. Because of the matters discussed in the basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis of accounting

4. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury as set out in accounting policy note 1.

### Basis for disclaimer of opinion

5. Property, plant and equipment: Infrastructure assets

I was unable to obtain sufficient, appropriate audit evidence for infrastructure assets with a carrying value of R423 907 218 included in note 9 to the financial statements, due to inadequate information in the asset register regarding the descriptions, location and cost of infrastructure assets as required by GAMAP 17 (Property, plant and equipment). The municipality's records did not permit the application of alternative audit procedures regarding these assets. Consequently I did not obtain sufficient, appropriate audit evidence I considered necessary to establish the existence, completeness, valuation and allocation and rights and obligations of infrastructure assets.

6. Long and short-term receivables - Housing

I was unable to obtain accounting records and supporting documentation for housing debtors included in long-term receivables and other debtors, due to a limitation of scope imposed by the municipality. The entities records did not permit the application of alternative audit procedures. Consequently I did not obtain sufficient, appropriate audit evidence to determine the existence, completeness, valuation and allocation and rights and obligations of long-term receivables of R12 252 520 and current housing debtors of R17 103 215 disclosed in notes 10 and 13 to the financial statements respectively. This matter was also reported in the prior year audit report.



## 7. Other debtors

I was unable to obtain sufficient, appropriate audit evidence for debtors of R43 069 600 included in other debtors of R69 887 697 disclosed in note 13 to the financial statements, due to the failure of management to provide supporting documentation/information. Consequently I could not confirm the completeness, existence and accuracy of the amount of debtors reflected in note 13. Furthermore, alternative procedures performed indicated that these debtors were irrecoverable. Consequently, other debtors and equity were overstated by approximately R43 069 600.

## 8. Long-term liabilities

Following the altered functions and powers of the municipality determined by the Minister for Provincial and Local Government as per Government Notice 821 of 2003, issued in Government Gazette No. 25076 of 13 June 2003, certain assets and liabilities on bulk water and sewerage services were to be transferred from the Southern District Municipality to the City of Matlosana. To date of this report no long-term liabilities or infrastructure assets had been transferred, resulting in long-term liabilities being understated by R34 371 717 and infrastructure assets being understated by at least the same amount.

## 9. Government Grant Reserve and Donations and Public Contribution Reserve

The combined carrying value of property, plant and equipment of R351 003 391 financed by the Government Grant Reserve and the Donations and Public Contribution Reserve as per the accounting records, differed with the combined balance of R338 978 700 of these reserves as disclosed in the Statement of Financial Position. I was unable to obtain explanations for the difference of R12 024 691. The municipality's accounting records did not permit the performance of alternative audit procedures in this regard. Consequently I was unable to determine the completeness, valuation and allocation of these reserves.

## 10. Provision for bad debts

The municipality's approved policy for the calculation of the provision for bad debts was not reasonable due to the fact that it was based on the prior year age analysis. Furthermore, the calculation for the provision for bad debts of R430 188 290 disclosed in note 12 to the financial statements was also not done in terms of the approved policy. A re-calculation performed during the audit, based on the year under review's age analysis indicated that the provision was underprovided by approximately R9,5 million. Consequently I was unable to determine the accuracy, completeness and presentation and disclosure of the provision for bad debts.

## Disclaimer of opinion

11. Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the City of Matlosana. Accordingly, I do not express an opinion on the financial statements.

## Emphasis of matter

I draw attention to the following matters:

## 12. Basis of accounting (departures and deviations)

As set out in accounting policy note 1 the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of Government Notice 552 of 2007 issued in Government Gazette 30013 of 29 June 2007.

## 13. Late finalisation of the audit report

In terms of section 126(3)(b) of the MFMA I am required to submit my report to the Municipal Manager within three months of the receipt of the financial statements. In the interest of improving accountability and due to the process implemented by me to ensure consistency in the manner in which material audit findings are reported I have delayed the finalisation of my report to 30 April 2008.



## OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

### 14. Non-compliance with laws and regulations:

- a) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)
  - Contrary to section 62(c)(i), the municipality did not have a risk management policy.
- b) Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)
  - Contrary to section 104, council did not have a fraud prevention plan.
  - Contrary to paragraph 12A of schedule 1, five councilors had consumer accounts outstanding for longer than 90 days as at 30 June 2007 as disclosed in note 33.6 to the financial statements.
  - Contrary to paragraph 10 of schedule 2, the consumer accounts of staff members outstanding for longer than 90 days as at 30 June 2007 amounted to R17 347. Mayoral Committee resolution 460/2002 dated 20 May 2002 to clear the consumer accounts of council and staff members has thus also not been adhered to.
- c) Value Added Tax Act, 1991 (Act no. 89 of 1991)
  - In terms of an amendment of section 20(4) effective from 1 March 2005, the VAT registration numbers of both user and supplier must be disclosed on invoices exceeding R3 000. Council's invoices do not meet this requirement, nor are there measures to ensure that invoices of suppliers to council, comply in this regard.

### 15. Matters of governance

- a) The internal audit function did not function effectively during the year, due to weaknesses identified in their audit approach and methodology, audit reporting and quality assurance.
- b) Due to several shortcomings regarding the requirements of section 166 of the MFMA, the audit committee did not function effectively during the year.

### 16. Material corrections made to the financial statements submitted for audit.

- a) Debit balances of R12 513 469 and credit balances of R16 646 668 incorrectly included as correction of errors in the Statement of Changes in Net Assets, was rectified.
- b) A difference of R10 595 750 in the amounts disclosed for the purchase of property, plant and equipment between the cash flow statement and appendix B, was corrected in the cash flow statement.

### 17. Value for money

A documented human resource plan was not in place during the year under review. At year-end a vacancy rate of 31% existed within the municipality, resulting in undue stress being placed on current employees and negatively affecting service delivery and the finance functions of the municipality.

### 18. Internal control

Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes of the matters indicated, as they relate to the five components of internal control. In some instances deficiencies exist in more than one internal control component.



Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
<b>Basis for disclaimer of opinion</b>					
Property, plant and equipment			X		X
Long and short-term receivables-Housing	X				
Other debtors					X
Long-term liabilities	X				
Reserves	X				
Provision for bad debts					X
<b>Emphasis of matter</b>					
Basis of accounting					X
<b>Other matters</b>					
Non-compliance with laws and regulations	X		X	X	X
Matters of governance		X			
Material corrections made to financial statements					X
Value for money	X				

## OTHER REPORTING RESPONSIBILITIES

### Reporting on performance information

19. I have audited the performance information as set out on pages 17 to 31 and 107 to 224.

### Responsibility of the accounting officer for the performance information

20. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA.

### Responsibility of the Auditor-General

21. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 646 of 2007, issued in Government Gazette No. 29919 of 25 May 2007.
22. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
23. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.



## Audit findings (performance information)

### 24. Non-compliance with regulatory requirements

- a) Contrary to sections 126(1) and 126(3), the performance report was not presented for audit within two months after the financial year-end.
- b) Contrary to section 26(c) of the MSA, the IDP did not reflect council's development priorities and objectives for its elected term, including its local economic development aims and its internal transformation needs.
- c) In terms of section 41(2) of the MSA, the performance management system must be devised in such a way that it may serve as an early warning indicator of under-performance. As confirmed by the internal audit performance report, the performance management policy framework of council did not meet this requirement.
- d) The key performance indicators set by the council did not include the general key performance indicators as prescribed in terms of section 43(1) of the MSA.
- e) Contrary to section 41(1) of the MSA, quarterly performance reports was not properly reviewed by the required officials.
- f) Contrary to section 44 of the MSA, the performance management policy framework of council did not provide for targets set by the municipality to be made known internally and to the general public.
- g) In terms of Regulation 6 of the Municipal Planning and Performance Management Regulations, 2001 (MPPMR), the allocation of resources in the municipality's annual budget (financial plan include budget projection for at least the next three years) should be based on the development priorities and objectives as well as the performance targets set by the municipality. The performance management policy framework of council did not meet this requirement.
- h) Contrary to Regulation 9(1)(a) of the MPPMR, key performance indicators were not set in respect of each of the development priorities and objectives referred to in section 26(c) of the MSA.
- i) Contrary to Regulation 14(2) of the MPPMR, the council did not budget or appoint a performance audit committee, neither was another audit committee utilised as the performance audit committee during the financial year 2006/07.

### 25. Measurable objectives not consistent

I draw attention to the fact that the measurable objectives reported in the performance report of the City of Matlosana are materially inconsistent when compared with the predetermined objectives as per the IDP. The following table reflects these differences:

IDP objectives	Budget objectives	Objectives per performance report
Local economic development	None	Accelerated economic growth, Poverty relief, Job creation, LED and RED
Spatial development	None	Democratic governance
Infrastructure	None	Infrastructure & utility needs
Environment	None	Excellence & Transformation, Leadership, Management and Governance
Social facilities	None	Quality municipal & social services
Manpower/financial sustainability	None	Financial sustainability

## APPRECIATION

26. The assistance rendered by the staff of the City of Matlosana during the audit is sincerely appreciated.

*Auditor General*  
Pretoria,  
23/05/2008



AUDITOR-GENERAL



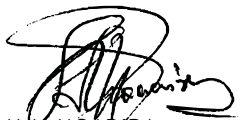


# DECLARATION OF ACCOUNTING OFFICER

for the year ended 30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out on pages 61 to 104, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



M M MOADIRA  
Municipal Manager

31 August 2007  
Date

## REGISTERED OFFICE:

Bram Fischer street  
KLERKSDORP  
2570

PO Box 99  
KLERKSDORP  
2570

Telephone number  
FAX  
E-Mail

(018) 487 8300  
(018) 4642318  
mmoadira@klerksdorp.org





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## FOREWORD

At the end of a financial cycle, it is always exciting to evaluate and analyze not only the financial results, but also how finances contribute to the improvement of the living standards of our community. The financial planning and accountability reform initiatives of Government were a priority in the past year and huge progress was made towards the full implementation of the reform. It does me proud to report on the successes for the year under review.

The budget cycle started long before the start of the financial year with financial planning and information sessions in an effort to make the process much more transparent. The budget was discussed widely with the community, community structures, non-governmental organs and political structures.

This was used as the basis to set the strategic and political direction through an Integrated Development Plan and budget.

Regular reporting kept the Executive Mayor and Council abreast of the financial position of Council. The Executive Mayor submitted an adjustment budget during January 2007. The purpose of the adjustment budget was to speed-up the delivery process.

The commitment of the staff again ensured that the Annual Financial Statements would be completed within the prescribed period. The finalization of the 2006/2007 Annual Financial Statements and year-end processes went exceptionally well. If compared with previous financial years, it proves that the necessary capacity is developing well in Council.

It must further be mentioned that the Annual Financial Statements were prepared in accordance with new South Africa Statements of Generally Recognized Accounting Practice (GRAP) principles, which does our City proud and should contribute towards the eventual goal to be one of the best performing Municipalities in the country.

The financial results for the year are positive and resulted in an operating surplus of R40.1 million. The financial report of the Chief Financial Officer elaborates on the reasons for the surplus. Capital investment in the community for the year amounted to R168 million. This was not all done with own or borrowed sources but a major portion came from Government in the form of municipal infrastructure grants

The possible utilization of the surplus of 2006/07 financial-year will be discussed during an adjustment budget.

Unfortunately, the payment situation is still not under control and although improvements have been made, the outstanding debtors remain a great concern. The payment situation improved to an average of 85% for this financial period. Although the non-payment is managed, it is not acceptable that money that is supposed to be used for development is absorbed as provision for bad debt.

We are also grateful for the phenomenal growth of both residential and business development in our City. More incentives are needed to make the City more attractive to gain the confidence of investors in the commercial sector and to promote job creation.

We are ready to face the next step in the future of the City and to make it an even better place to live in.

A special word of thanks needs to be conveyed to the Chief Financial Officer and his personnel for ensuring that the financial administration was done in a manner that enabled them to produce this set of Annual Financial Statements timeously and in terms of the required standards.

My appreciation to the Executive Mayor, Mayoral Committee, Councillors, Municipal Manager, Departmental Heads and all other personnel for their support, cooperation and hard work that made the past year so successful.

  
Councilor J Douw  
MMC Finance and Debt Normalization



# REPORT OF THE CHIEF FINANCIAL OFFICER

## FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

By: Chief Financial Officer (I.J. Haarhoff)

I have pleasure in presenting my annual financial report together with the Financial Statements, which are still subject to audit, for the year ended 30 June 2007.



### 1. INTRODUCTION

One of the six strategic pillars that form strategic focus of Matlosana Municipality is financial stability. The City again addressed key issues designed to make it financially viable and to develop it as a preferred investment destination. In his budget speech for the 2006/2007 financial year, the Executive Mayor emphasized the fact that the City must be taken to the majestic heights by creating a financially stable municipality that will be able to carry out its Constitutional obligations to the community that it serves. It includes promoting community participation that will install civic patriotism and pride as well as a vibrant awareness in our projected R1 billion budget and how it is linked to the Integrated Development Plan (IDP). The plans that were put in place to improve financial management include, budget reform, the implementation of improved asset registers (in progress), bringing accounting systems in line with General Accepted Accounting Practices (GAMAP), certain Standards of General Recognized Accounting Practices (GRAP) as well as moving towards compliance with International reporting and accounting standards. The performance driven management will further enhance service delivery and is aimed to hold the different divisions of Council accountable for their actions. This is not only aimed at council employees but includes councillors. The results are reported to the public every year and proper oversight exists that will monitor progress and performance. All these measures are aimed at improving effectiveness, efficiency and promote the economical usage of limited resources.

Financial stability is further achieved by the following basic principles that are applied in Council on a regular basis.

- Focus on long- and short term financial objectives.
- Maintain sufficient financial liquidity through regular reviews and adjustments to meet normal operating and contingent obligations.
- Apply debt collection policies, which maximize collection while providing relief to indigent consumers.
- Apply the concept of free basic services to the poor.
- Maintaining assets in a responsible manner.
- Provide a framework for prudent use of debt financing.
- Direct the city's financial resources towards meeting the goals of the city in terms of the Integrated Development Plan (IDP).
- Develop and implement internal controls.

The spending on capital infrastructure is covered in the report and it is obvious that the capital program has been excelled to keep pace with the marching order targets set for 2008. Grant funding and equitable share from National Government has made a huge difference and it has provided an opportunity for local government to start making a noticeable change to service delivery.

A credit rating of the financial position of Council was done in 2005/6 based on the financial statements of 2004/05. Although no rating was done in 2006/7, it is my opinion that the financial rating should be better than the BBB (sufficient ability to repay long-term debt) and the A2 rating for short-term.

Local Government is going through a phase of tremendous changes in legislation and accounting standards. The Municipal Finance Management Act (MFMA) is the main piece of legislation that controls financial management and accountability. Huge progress has been made in Matlosana with the implementation of the Act. Although it is a requirement that the MFMA must be complied with in full, it is also obvious that an Act is a living document and changes in the implementation thereof will be made for practical purposes over time.



The original budget for the year was approved during May 2006. During the reporting period, an adjustment budget was presented and approved by Council. The 2006/07 budget provided for additional resources allocated towards the improvement of services delivery. Information on the original budget as well as the adjusted budget is included in this report. The adjusted budget also includes transfer of funds to cover over- and under-expenditures.

## 2. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared in accordance with the basis of presentation as indicated in the accounting policies, which is attached to the Annual Financial Statements.

The Annual Financial Statements is based on the following principals:

- The new budget formats prescribed by National Treasury
- Accordance with South Africa Statements of Generally Recognized Accounting Practice.
- Certain International Accounting Standards.
- The Municipal Finance Management Act.
- The Division of Revenue Act.
- Other legislation applicable to municipal finance management.

Certain of the new accounting standards have been exempted by the Minister of Finance. These exemptions have been indicated in the accounting policy. Some of the exemptions have been implemented because the process of change to the new standards was already done in the previous financial year. The exemptions that have not been implemented at this stage are the following.

Standard	Description of standard	Extend to which the information in the financial statement has to be changed
GAMAP 12	Inventories (Accept Exemption in so far as the water stock is concern)	This will only effect the statement of financial performance as far as the cost of goods sold is concern. The statement of financial position will be effected by the stock on hand. The problem is the calculation of the amount of water that will be in the distribution network at the 30 June of each year.
GAMAP 17	Property, plant and equipment (Note exemption of certain aspects of the standard in Notice 522) (Accept Exemption)	It is envisaged that the value of PPE will escalate once impairment and useful life of assets are done in terms of the statement. The cost of administration to implement the exemption is envisaged to be quite high in relation to the benefit to local government.
IAS 39 (AC 133)	Financial instruments: Recognition and measurement (Note exemption of certain aspects of standard in Notice 522) (Accept Exemption)	The implication of this standard on the changes to financial systems will be tremendous and might even increase the administration cost. As far as the statements are concern, very little benefit will derive from the implementation of it.
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance (to the extent that it does not contradict GAMAP 9)	Limited changes to the accounting system are expected. As far as the statements are, concern more detail reporting will result from the implementation of this standard.



IAS 40 (AC 135)	Investment property (Note exemption of certain aspects of standard in Notice 522) (Accept exemption on the portion of "fair value")	The determination of "fair value" is problematic. It is foreseen that the values will change very regularly, which can complicate report on a consistent basis.
IFRS 7 (AC 144)	Financial Instruments (Accept Exemption)	Limited impact on the financial information is foreseen.
IAS 14 (AC 115)	Segment Reporting (Accept Exemption)	This standpoint is the biggest challenge and it is not foreseen that local government will be in a position to implement it. The extent of reporting on this matter will never be cost effective and will complicate financial statements for the user.
IFRS 8 (AC 145)	Operating Segments (Accept Exemption)	The same as the previous one.

### 3. OPERATING RESULTS

The overall operating performance and operating results for the financial year are favorable considering that the operational surplus before transfers for the year was R31 million against the original budgeted surplus of R40 012. The reason for the huge difference will be explained later in the report. The following table provides a summary of the Original Budget, the Adjustment Budget that was approved in January 2007 and then the actual results for the year under review in comparison with the results of the previous year.

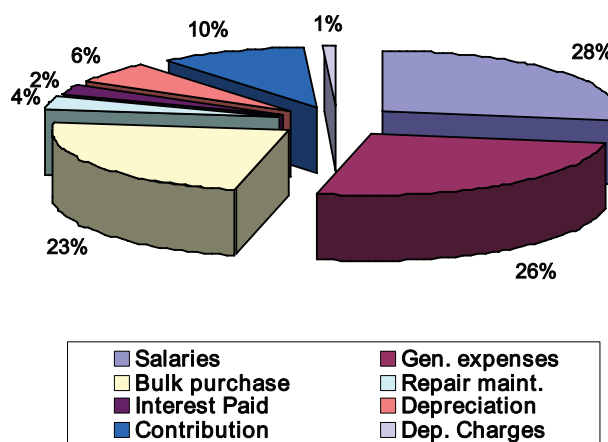
Description	Budget 2007	Adjusted Budget 2007	Actual 2007	Variance Actual Adjusted Budget	Actual 2006
	R	R	R	%	R
<b>REVENUE</b>					
Operating revenue for the year	710 383 620	747 321 014	778 073 535	4.12%	731 572 217
Offsetting from Reserves	19 619 807	22 386 270	148 588 990		29 800 726
	<b>730 003 427</b>	<b>769 707 284</b>	<b>926 662 525</b>		<b>761 372 943</b>
<b>EXPENDITURE</b>					
Operating expenditure for the year.	729 322 915	769 224 034	746 864 573	(2.9%)	639 921 995
Transfers to Reserves	640 500	483 250	127 120 508		98 717 778
Closing surplus	40 012	0	52 677 444		22 733 170
	<b>730 003 427</b>	<b>769 707 284</b>	<b>926 662 525</b>		<b>761 372 943</b>





Revenue (before transfers) grew by a staggering 6,4% compared to the previous year. A breakdown of the revenue will follow in the report. Expenditure on the other hand grew by 16,7%. The amount that was budgeted was not spent.

The graph shows the breakdown per main expenditure group before inter departmental re-charges.



The following table reflects a break down of the expenditure per type for 2006/07 against the budget for that year as well as the actual figures of the previous year for comparison purposes:

<u>Expenditure</u>	Budget 2007	Adjusted Budget 2007	Actual 2007	Difference Actual / Adjusted Budget 2007	Actual 2006
	R	R	R	R	R
Remuneration	235 473 944	227 411 524	211 005 556	16 405 968	191 641 543
General expenses	225 362 250	246 372 403	222 349 616	24 022 787	186 465 878
Bulk Purchases	171 826 840	181 016 490	180 876 485	140 005	158 801 679
Repairs and Maintenance	32 261 511	36 684 752	29 763 268	6 921 484	20 827 984
Inter-departmental charges	6 976 170	6 336 120	6 296 042	40 078	7 389 301
Depreciation	40 109 615	42 466 000	44 573 257	(2 107 257)	37 709 856
Contributions	72 951 620	72 964 620	77 368 848	(4 404 228)	105 698 177
Transfers to other reserves	20 250	15 873 750	127 120 508	(111 246 758)	86 990 000
Less: Amounts Charges out	-22 275 820	-25 250 870	-25 368 499	117 629	-24 685 919
<b>Net expenditure</b>	<b>762 706 380</b>	<b>803 874 789</b>	<b>873 985 081</b>	<b>-70 110 292</b>	<b>770 838 500</b>

Capital acquisitions that were funded from government grants and subsidies are included in the above table under the heading "transfers to other reserves".

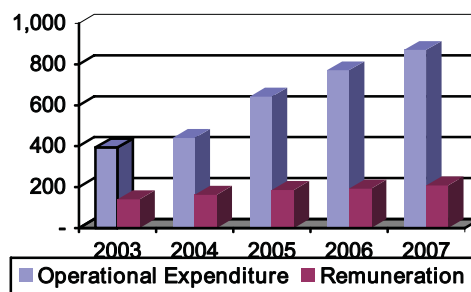




### 3.1 Remuneration vs. Operating Expenditure

Staff expenditure reflected as a percentage of the total expenditure of R747 million, shows an increase as a portion of the expenditure from 25% in 2005/6 to 28,25% in 2006/7. The percentage does not take re-charges and the effect of grants and fiscal sharing into account.

The under-spending of R16,4 million on remuneration compared to the budget is as a result of savings realized from vacancies that were not filled during the year as well as the finalization of the new organizational structure. The saving was made up by R11,8m on vacancies and related cost, R500 000 on overtime expense, R3,3 million on the redemption of leave and R800 000 on other related employee expense.



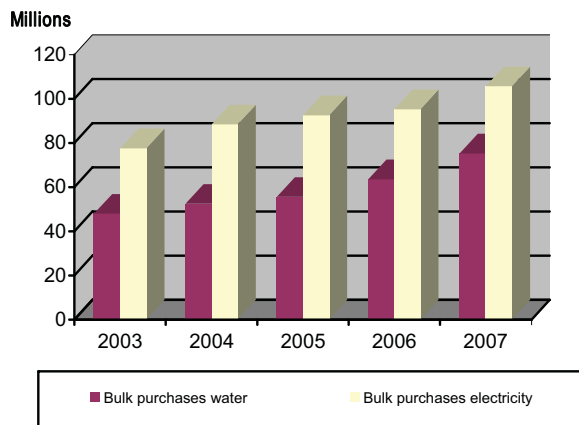
### 3.2 General Expenditure

The main expenditure types that influenced the difference between budgeted and actual results are indicated in note 25 of the financial statements.

The saving on the budgeted amount of R24 million is mainly contributed to the valuation that was not completed for which R10 million was provided. R2 million was saved on vehicle hiring cost as a result of a operational hire plan for vehicles that only came into affect towards the end of the year. Because of vacancies on senior level as saving of R1,3 million was made on insurance and travelling allowance. Provision was also made for R2million for the disaster of which only R500 000 was spend at the end of June 2007. The remaining portion of the amount, together with the insurance payment will have to be transferred to the next year. The free basic services expense for the year under review stands at R46,8 million which was a saving of R1,2 million for the year. The remaining portion of the total saving was made up by smaller amounts.

### 3.3 General Expenditure: Bulk Purchases

The following graph gives a graphical illustration of the relation between total amount spent on the bulk purchase of water and electricity:



It is clear that there is a gradual increase in consumption over the last five year in the usage of electricity and water.

### 3.4 Repair And Maintenance

Under spending on maintenance amounts to R6,9 million for the year. Provision was made for R36,7 million of which only R29,8 million was spent. The delay in the start of the rental scheme contributed to the biggest portion of the saving of R3,4 million on the vehicle maintenance. The second biggest portion of the saving was computers and software, buildings, civil and electricity network.

### 3.5 Depreciation

The over-spending of R2million on this portion of the budget is mainly contributed by an increase in government grants for capital infrastructure. It would seem that this tendency would continue because of backlogs in infrastructure and the effort that government puts into the eradication of these backlogs.



### 3.6 Inter-departmental Charges

The deviation in inter departmental charges can be connected to the fact that expenditure were lower than the tendency of the previous year.

### 3.7 Contributions

Contributions made towards the provision for the accumulated leave liability were R4,4 million more that the budgeted amount. The provision is made in terms of the accounting policy of Council.

### 3.8 Less: Charge Out

The contracting out of capital projects to private institutions affected the amounts charged out.

## 4. OPERATING INCOME

Income per income category compared with the budgets and the actual for the previous financial period is as follows.

<u>Income</u>	Budget 2007	Adjusted Budget 2007	Actual 2007	Variance Actual / Adjusted Budget 2007	Actual 2006
	R'	R'	R'	R'	R'
User Levied Charges	473 218 300	475 726 020	474 464 880	(1 261 140)	439 386 267
Tariff charges levied	1 898 885	1 930 935	3 590 943	1 660 008	2 348 724
Tariff charges other	24 465 310	27 698 680	31 816 787	4 118 107	24 545 225
Grants and subsidies	125 093 185	130 389 450	129 551 883	(837 567)	104 682 828
Fines	8 388 310	4 737 330	3 305 839	(1 431 491)	4 298 683
Interests	38 258 755	40 415 365	50 116 891	9 701 526	40 651 424
Rentals	6 741 425	6 900 620	7 767 236	866 616	6 235 783
Licenses	3 161 510	3 187 510	3 482 119	294 609	3 265 022
Profit sale of assets	200 000	200 000	6 514 630	6 314 630	621 106
Other income	54 024 735	62 787 859	61 166 285	1 621 574	51 672 760
Departmental charges	6 976 170	6 358 610	6 296 042	(62 568)	7 389 301
Transfers from reserves	20 319 807	43 542 410	148 588 990	105 046 580	108 474 549
<b>Totals</b>	<b>762 746 392</b>	<b>803 874 789</b>	<b>926 662 525</b>	<b>122 787 736</b>	<b>793 571 670</b>

### 4.1 User Levied Charges

The deviation is 0,27% which is too small to be linked to a specific problem. The growth in revenue of 8% from the previous year is very important and substantiates the economic growth that is experienced in the City.

### 4.2 Tariff Charges Levied

Intensified disconnection actions during the financial year were the main contributor to the success in this category. Growth can also be contributed to the general economic growth in the area.



### 4.3 Tariff Charges Other

The change over from conventional electricity to pre-paid electricity is the main reason for the improved income of R4 million in this category. A number of new extensions were developed and new houses that were build during the year.

### 4.4 Grants And Subsidies

Note 18 of the financial statements reflect the detail of grants and subsidies received.

The Inter Governmental Grant received from the National Government during 2006/2007 was mainly utilized to subsidize the indigent consumer debtors. The other grants and subsidies received were conditional and were used for the intended purpose.

### 4.5 Fines

The under-collection in traffic and parking meter fines is the result of insufficient law enforcement. A further challenge is the non-collection of fines, which is currently addressed through special operational actions. The back office will also be upgraded with new technology, which will improve the collection of fines in future.

### 4.6 Interest

Interest earned - external investments

The improve revenue from the current bank account and investments are the result of the slow capital and other spending.

Interest earned - outstanding debtors

Interest on arrear account exceeds the budgeted amount with approximately R600,000 for the year. Interest is raised at 15% per annum on arrear accounts.

### 4.7 Rental Income

Incomes from this source are generated from leasing of Council assets that are not utilized by Council.

## 5. TRADING SERVICES

### 5.1 Water

The deviation in income compared to the adjusted budget can be attributed to an increase in water sales over the latter half of the year. The surplus should have been higher, but increases in water losses depreciate some of the expected surpluses.

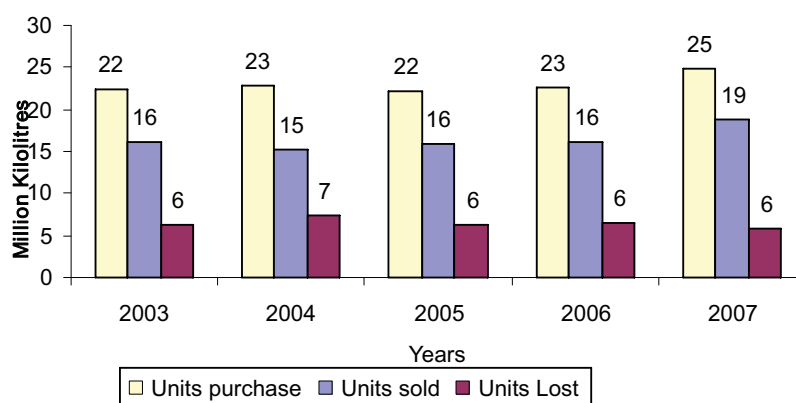
Description	Budget 2007	Adjusted Budget 2007	Actual 2007	Variance Actual / Adjusted Budget 2007	Actual 2006
	R'	R'	R'	R'	R'
Income	127 123 120	123 099 832	136 609 627	13 509 795	119 376 295
Expenditure	122 593 684	128 411 556	139 286 917	10 875 361	119 130 539
Surplus/(deficit)	4 529 436	(5 311 724)	(2 677 290)	2 634 434	245 757
Surplus/(deficit) as % of Income	3.56%	(4.31%)	(1.96%)	19.50%	.20
Bulk water purchases:	69 145 990	75 281 920	75 215 872	65 418	63 554 272
Expenditure: Indigent subsidies	15 047 730	12 060 620	12 060 216	404	12 253 630



The distribution losses of 23,8%, 28,28%, 28,37% and 32,83% for the financial period 2006/7, 2005/2006, 2004/2005 and 2003/2004 respectively does not reflect a good picture and is high on the agenda to be rectified in the foreseeable future. It is clear that there is some improvement since the previous reporting periods. The township Hartbeesfontein is supplied with water from boreholes, which are not metered. Hartbeesfontein was excluded in this calculation. The main contributor for the water losses is the old and obsolete water infrastructure and water meters that are removed.

A number of budget transfers were done during the year to accommodate overspendings on purchase of water. It would seem as if the shortfall on the cost centre can be contributed to a reduction in gross profit as a result of line losses or that the tariffs were not cost related. Although tariffs cannot be adjusted during the year the situation will be monitored closely and if necessary, expenditure or budget will be adjusted during the adjustment budget process.

The following graph reflects electricity purchases, sales and distribution losses.



## 5.2 Electricity

Description	Budget 2007	Adjusted Budget 2007	Actual 2007	Variance Actual/ Adjusted Budget 2007	Actual 2006
	R'	R'	R'	%	R'
Income	201 635 020	204 311 690	218 644 862	7%	195 165 761
Expenditure	172 551 690	174 297 485	190 782 650	9,5%	159 507 302
<b>Surplus/(deficit)</b>	<b>29 083 330</b>	<b>30 014 205</b>	<b>27 862 212</b>	<b>(7,2%)</b>	<b>35 658 459</b>
Surplus/(deficit) as % of Income	14.42%	14.69%	12.74%	(15.01%)	18,3
Bulk electricity purchases:	102 680 850	105 716 570	105 660 613	(5,3%)	95 247 408

The difference between the schedule above and "Appendix D" in the Annual Financial Statements for City Electrical Engineer is contributed to the fact that "Appendix D" includes income and expenditure for the Garage, Workshop and Streetlights and excludes inter departmental charges.

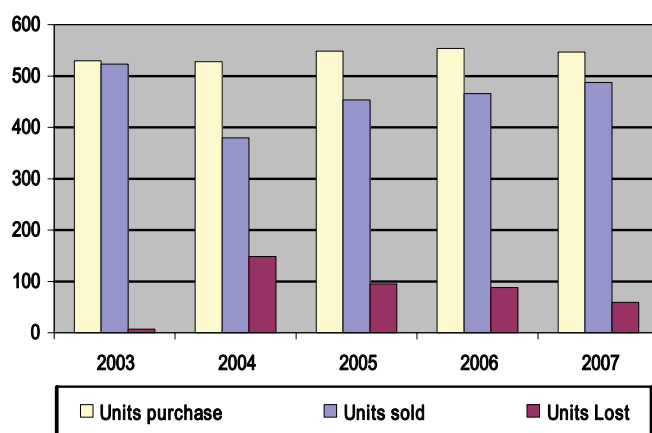
Distribution losses are reduced on a year-to-year basis from 17,3% in 2005 to 10,8% in 2007. This is within the norm of 7% to 11% although it can still be improved.

The increase in actual expenditure compared to the adjustment budget is mainly due to adjustments relating to transfers to and from reserves and grants. A disaster that damaged a huge portion of electricity infrastructure in Jouberton during the year also contributed to expenditure above the envisaged amount that was provided for in the adjustment budget. These adjustments affect both income and expenditure. It is thus important to evaluate the net



affect and ignore the detail for purposes of evaluating the financial performance. Although the deviation between the estimated net results is 7% of target, the original budget was lower and the net result differs with only 4% on that estimate.

The following graph reflects electricity purchases, sales and distribution losses.



### 5.3 Fresh-produce Market

Description	Budget 2007	Adjusted Budget 2007	Actual 2007	Variance Actual/ Adjusted Budget 2007	Actual 2006
	R'	R'	R'	R'	R'
Income	13 596 555	12 868 055	12 262 401	(605 654)	12 294 286
Expenditure	11 235 745	11 489 275	10 864 894	(624 381)	11 481 981
<b>Surplus/(deficit)</b>	<b>2 360 810</b>	<b>1 378 780</b>	<b>1 397 507</b>	<b>18 727</b>	<b>812 305</b>
Surplus/(deficit) as % of Income	17.36%	10.71%	11.40%	3.09%	6,6

The difference between the schedules above and "Appendix D" in the Annual Financial Statements for the Market is contributed to the fact that "Appendix D" excludes inter departmental charges.

Market dues are calculated at 5% commission on sales turnover. Due to decrease in prices on products, the income has underperformed by R600 000. The decrease in revenue was managed by corresponding savings in expenditure, which result in a net result that is very close to the estimated amount.

The decrease in actual expenditure compared to the adjusted budget is mainly due to savings in remuneration and general expenditure.

Although the total income for the year was R605 654 less than budgeted, the Market still manages to end the year with a surplus.



## 6. LONG-TERM DEBT

At the end of the financial year the outstanding debt were as follows:

Type of debt	2007	2006
Stock	0	0
Long-term loans	170 693 238	149 184 509
<b>External funds: Total</b>	<b>170 693 238</b>	<b>149 184 509</b>

Loans to finance the capital expenditure of 2005/6 were raised during the year under review. The amount of the loan raised was R29 million and an amount of R7,7 million was redeemed during the year which left a net change in long-term liabilities of R21,5 million. It is important to manage capital spending that is financed from loans. Affordability must always be evaluated. The current servicing of debt is around 9% of total operating expenditure. It is well within the national norm and is proof of well-balanced borrowing.

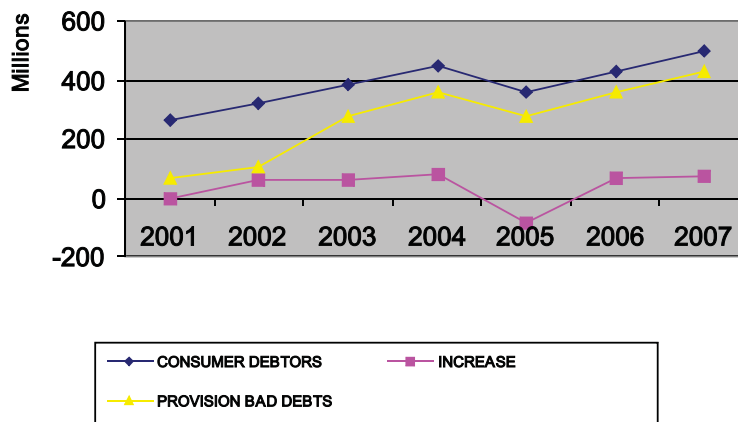
## 7. ACCUMULATED STATUTORY FUNDS AND PROVISIONS

Detail of the distributable reserves and provisions appears in Note 4 to the financial statements. In terms of legislation, surpluses in distributable reserves and provision for staff leave are to be invested until needed. The detail of the investments is provided in Note 14. Other reserves appear in the Statement of Financial Position under net assets.

## 8. DEBTORS

Details regarding the long-term receivables are provided in Note 10 to the financial statements.

As far as short-term debtors are concern, it is further explained in note 12 and 13 to the financial statements. The following graph reflects the Consumer debtor's and the growth since amalgamation:



The net outstanding consumer debtors decreased by R63 420, which in itself is not significant. The core problem of people not paying for the service and utility that they receive is still the biggest factor that contributes to the slow improvement of addressing backlogs on infrastructure. An amount of R72 million was once again necessary to be contributed to the provision of bad debts. This contribution is used to manage the cash flow by limiting expenditure. If payment can be improved, this type of contribution can be reduced and more resources can be made available for municipal service improvement. On the positive side it must be mentioned that the payment rate have been improved since the previous year which clearly contribute to a reduction in the contribution to the extent of R10 million.





The following is an indication of the effectiveness of credit control measures as well as the ability to convert debtors into cash:

Description	2007 R'	2006 R'	2005 R'	2004 R'
Debits levied	511 488 463	463 152 316	449 596 565	409 364 522
Balance on 1 July	429 221 985	360 679 835	447 804 678	384 958 215
Balance on 30 June	501 250 082	429 221 985	360 679 835	447 804 678
<b>Average balance</b>	<b>465 236 034</b>	<b>394 950 901</b>	<b>404 242 257</b>	<b>416 381 447</b>
Turnover: Number of times	1.08	1.17	1.11	.98
Days	365	365.0	365.0	365.0
Turnover: Number of days	338,0	311.2	328.2	371.3

The above table indicates that outstanding consumer debts are at unacceptable levels. The number of days to recover these debts has decreased from 371.3 (2003/2004) to 311.2 (2005/2006) and have once again increase to 338 days in 2006/7. Although there is, still a slight improvement since 2004 it will have serious implication on the cash flow of Council over the long-term if continued on this trend.

A summary of the age analysis of consumer debtors as at 30 June 2007 is provided in note 12 of the financial statements.

## 9. CAPITAL EXPENDITURE AND FINANCING

As far as the capital expenditure is Council made concerned, substantial progress with the improvement of living conditions of the community and infrastructure backlog in certain areas.

The fixed assets expenditure for the year of R168,9 million is substantially more than the R126,4 million of the previous financial year.

The following table shows the distribution of the fixed assets according to the type of asset:

Type of Asset	Original Budget 2007 R'	Adjusted Budget 2007 R'	Actual 2007 R'	Actual 2006 R'	Grants and Subsidies 2007 R'	Grants and Subsidies 2006 R'
Land	100 000	100 000	0	0	0	0
Buildings	15 319 990	29 170 322	29 385 087	7 887 485	21 006 957	3 741 030
Roads and Storm water drainage	52 235 665	54 751 351	29 769 269	24 056 362	16 339 194	8 845 397
Other infrastructure	93 767 297	214 381 798	93 046 411	76 698 235	72 612 781	55 894 332
Other fixed assets	16 595 200	19 180 656	16 770 500	17 775 459	1 090 904	6 562 087
<b>Total</b>	<b>178 018 152</b>	<b>317 584 127</b>	<b>168 971 267</b>	<b>126 417 541</b>	<b>111 049 836</b>	<b>75 042 847</b>

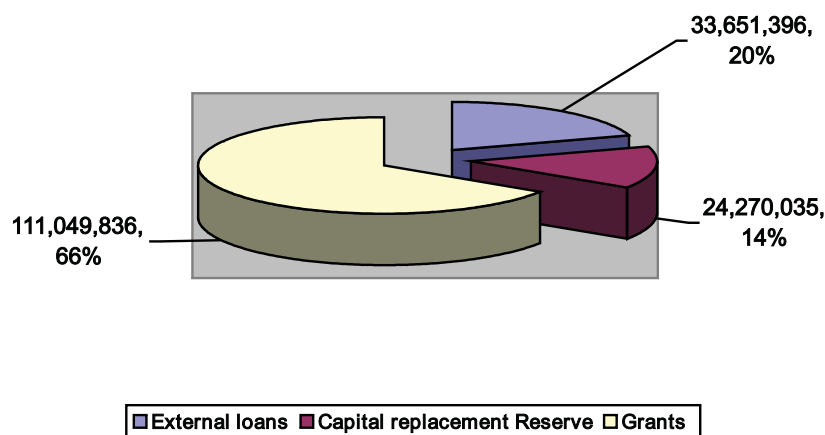




The above-mentioned fixed assets were financed from the following sources:

Type of finance	Budget 2007 R'	Adjustment Budget 2007 R'	Actual 2007 R'	Actual 2006 R'
External Loans	48 802 548	50 947 340	33 651 396	40 684 702
Capital replacement reserve	24 861 152	39 201 753	24 270 035	10 689 992
Grants: MIG	104 354 452	227 435 034	111 049 836	75 042 847
	<b>178 018 152</b>	<b>317 584 127</b>	<b>168 971 267</b>	<b>126 417 541</b>

### CAPITAL STRUCTURE



External loans to the amount of R29 million was raised to finance the capital expenditure for the 2005/6 financial year. Expenditure for the year under review that is to be financed from external loans will be funded by loans to be raised in the 2007/8 financial year. In the interim the funding is carried by own sources.

## 10. INVESTMENTS

External investments on 30 June 2007 amounted to R187,7 million compared to the approximately R122 million for 2005/06 which is a increase of R65,7 million. The main reason for the increase in investments is because a loan to finance capital expenditure was raised and the unspent portion of grants. An explanation for the investments is done in note 8 and 14 to the financial statements.

Investments as at 30 June 2007 were made at the following Institutions (see also note 8 and 14 of the Financial Statements)

INVESTMENTS AS AT 30 JUNE 2007	
INSTITUTION	AMOUNT
ABSA	R 45 372 339
Sanlam	R 4 323 440
First National Bank	R 65 481 616
New Republic Bank	R 419 679
Investec	R 65 095 175
Nedcor Bank	R 6 930 133
<b>Total Fixed Investments</b>	<b>R187 622 382</b>
Senwes	R 26 951
<b>Total Investments</b>	<b>R 187 649 333</b>



New Republic Bank Limited was placed under Curator ship. An amount of R4,5 million was originally invested at an interest rate of 11% per year. Fourteen (14) dividends to the amount of R3,3 million including interest were received since the bank was placed under curator ship. The Curator is uncertain of future collections and it does not appear as if Council will receive full payment of the capital that was invested. According to the curator, it is not possible to determine the shortfall at this stage. It is only speculation by the Curator at this stage and as soon as something is received in writing, the matter will be reported officially.

## 11. ACCOUNTING RATIOS

This portion of the report deals with some sort of benchmarking. Although there is no definitive basis for benchmarking in local government, one can use the current ratio, solvability and quick asset ratio to draw some kind of a conclusion on the financial viability of Council. It is clear from all of the under mention results that in some sense the finances is managed very conservatively. The question to be answered is whether one can manage it any different when managing public money. Public money or service delivery should never be put at risk.

The evaluation of the municipality's liquidity position focuses on its cash resources, ability to generate cash from operations and the capacity to pay creditors and short-term loans on time. A crucial element of liquidity management is the effectiveness of its revenue collection. The current collection rate is well over 85% of levies. Compared against other local authorities in the North Wes province it is considered a very good payment rate. On a National basis, there are some municipalities of the same size that has a better payment rate but it should be compared against the background of ability to pay. This ability to pay must be taken into account when policies of financial strategy are considered.

### 11.1 Operating Ratio Or Current Ration:

Operating resources represents the surplus of current assets over current liabilities. This indicator determines the ability of the municipality to pay operational expenditure in the short-term.

The following table shows the calculation of the operating capital ratio:

Description	2006/2007 R'	2005/2006 R'	2004/2005 R'	2003/2004 R'
<b>CURRENT ASSETS:</b>				
Cash	32 667 396	23 879 196	152 800	14 805 374
Inventory	17 203 787	18 378 712	19 748 701	17 287 103
Debtors	140 859 601	114 233 634	123 145 388	116 675 333
Investments	180 692 249	115 748 289	147 553 669	77 023 606
Short-term portion of long-term debtors	688 165	416 501	847 626	697 810
<b>Total</b>	<b>372 111 198</b>	<b>272 656 332</b>	<b>291 448 184</b>	<b>226 489 226</b>
<b>CURRENT LIABILITIES:</b>				
Creditors	134 855 417	91 007 707	58 102 343	70 157 680
Short-term portion of long-term liabilities	10 198 194	6 804 845	11 129 281	5 703 215
Deposits	16 677 366	15 043 032	13 552 373	11 017 098
Overdrawn bank account	0	1 802	15 517 087	
<b>Total</b>	<b>161 730 977</b>	<b>112 857 386</b>	<b>98 301 083</b>	<b>86 877 993</b>
<b>Operating Capital Ratio to 1</b>	<b>2.3</b>	<b>2.4</b>	<b>2.96</b>	<b>2.6</b>

This ratio measures the extent to which the current liabilities are covered by the current assets. A larger coverage means a lower risk as short-term debt can be paid out of short-term assets. A ration of 2,3 is considered to be strong but conservative. A conservative ratio when dealing with public funds is considered good financial management. On the other hand, local government is perceived to be a stable environment and a lower current ratio would not be out of line. It is clear that the move is towards a lower ratio without being too eager to move towards a lower ratio.



The fact that some of the current assets are unspent funds of grants for capital projects must also be considered before a conclusion can be drawn from the ratio.

### 11.2 Quick asset ratio (Acid Test)

This ratio is a more accurate test of a local authority's ability to settle its short-term debt. When calculating this ratio, only assets that can be converted into cash are taken into account. As material and stock are for the own use and are not required by Institutions other than local authorities, they are not included in the calculations. A ratio of 1:1 is the norm.

The figures that follow reflect the quick asset ratio for the following years:

Description	2006/2007 R'	2005/2006 R'	2004/2005 R'	2003/2004 R'
<b>CURRENT ASSETS:</b>				
Cash	32 667 396	23 879 196	152 800	14 805 374
Debtors	140 859 601	114 233 634	122 494 083	116 675 333
Investments	180 692 249	115 748 289	147 553 669	77 023 606
Short-term portion of long-term debtors	688 165	416 501	847 626	697 810
<b>Total (Exclude Inventory)</b>	<b>354 907 411</b>	<b>254 277 620</b>	<b>271 048 178</b>	<b>209 202 123</b>
<b>CURRENT LIABILITIES:</b>				
Creditors	134 855 417	91 007 707	58 102 343	70 157 680
Short-term portion of long-term liabilities	10 198 194	6 804 845	11 129 281	5 703 215
Deposits	16 677 366	15 043 032	13 552 373	11 017 098
Overdrawn bank account	0	1 802	15 517 087	
<b>Total</b>	<b>161 730 977</b>	<b>112 857 386</b>	<b>102 962 068</b>	<b>86 877 993</b>
<b>Quick Asset Ratio</b>	<b>2.2</b>	<b>2.25</b>	<b>2.76</b>	<b>1.71</b>

The result is also moving towards the 2:1 ratio, which is more relevant to local government. It is once again necessary to remember that a conservative approach is needed when dealing with public money and the fact that a whole community will be affected negatively if cash flow problems develop in the public sector.

### 11.3 Solvability

The solvability ratio is a measurement to compare the total assets to the total liabilities and to determine the ability of an authority to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. The following table shows Matlosana calculation of the solvability ratio:

Description	2006/2007 R'	2005/2006 R'	2004/2005 R'	2003/2004 R'
<b>TOTAL ASSETS:</b>				
Current assets	372 111 198	272 656 332	285 176 647	217 536 004
Plus: Gross Fixed Assets (Note 9.1 to the financial statements)	617 990 502	504 188 243	420 872 754	398 293 933
<b>Total</b>	<b>990 101 700</b>	<b>776 844 574</b>	<b>706 049 401</b>	<b>615 829 937</b>
<b>TOTAL LIABILITIES:</b>				
Current liabilities	161 730 977	112 857 386	94 403 927	81 955 470
Plus: Outstanding loans	160 495 044	142 379 664	147 456 675	148 117 889
Accumulated funds	26 339 222	26 468 860	23 114 947	19 200 292
<b>Total</b>	<b>348 565 243</b>	<b>281 705 910</b>	<b>264 975 549</b>	<b>249 273 651</b>
<b>Solvability Ratio to 1</b>	<b>2.84</b>	<b>2.76</b>	<b>2.66</b>	<b>2.47</b>



## 12. HOUSING

Council is busy with the erection of several low cost housing projects in the City.

These schemes are dealt with on a separate financial system and Bank account at ABSA Bank.

The National Housing Board funds these projects and beneficiaries are receiving a subsidy that varies from individual to individual.

## 13. AUDIT COMMITTEE

An audit committee was established and operated under the guidance of an audit charter and in terms of current legislation.

The Committee serves as a link between the Council, Management, Public, Internal- and External Auditors. Meetings were held and during these meetings, the reports were evaluated to address internal control measures and to monitor corrective actions.

The composition of the Audit Committee has been changed according to section 166 of the Municipal Finance Management Act (No 56 of 2003) and is as follows:

- Chairperson
- Two additional members
- Chief Internal Auditor

During the year, the members resigned and the audit committee did not function in terms of the above mentioned.

## 14. NATIONAL TREASURY

As a pilot municipality, the City of Matlosana is working closely with National Treasury to implement the new budget reform and other improved financial management initiative procedures through the Municipal Finance Management Support Program.

The budget process especially, has improved as far as medium-term planning and transparency is concern. The reform process will continue and improve in future until it is a truly world best practices system of budgeting and reporting. Matlosana has demonstrated commitment to implementing the financial reforms.

## 15. ASSET MANAGEMENT

At present, assets are recorded and capitalized on the historical cost basis and are not re-valued to current values. GAMAP/GRAP has been implemented as far as depreciation of assets is concern.

The City of Matlosana has implemented an asset management and bar-coding (tracking) system to identify assets and this register will form the backbone of the GAMAP principals. This project is still in process. As far as infrastructure assets unbundling are concern, Council has approved a new asset policy that is fully aligned to the Generally Accepted Municipal Accounting Practice (GAMAP) and Generally Accepted Accounting Practice (GAAP) standards. It is further aligned to identify, classify, record and revalue all current assets to current replacement cost and to implement a total asset management system and procedures for the entire organization.

## 16. GOING CONCERN

The financial position of the City has again improved since the previous year and although outstanding debtors are still on the increase, it is managed so that the financial sustainability is not affected negatively. The accumulated provision for bad debts is sufficient to cover for possible bad debts, but the non-payment of services is hampering service delivery and construction of new infrastructure.

Notwithstanding the non-payment, Matlosana can still be seen as a going concern and will be a going concern for the near future. Reference must be made of the rating of A2 (short-term) and BBB (long-term) that was done on the 2004/05 financial statements.



## EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, Mayoral Committee, Municipal Manager, Councilors and Departmental Directors for the support they have given to the department during the 2006/2007 financial year. A special word of appreciation is extended to the finance team for dedication to succeed in producing the annual financial statements on time and in terms of the new accounting standards.



IJ HAARHOFF  
CHIEF FINANCIAL OFFICER  
Date: 30 August 2007





# FINANCIAL STATEMENTS







CITY OF MATLOSANA  
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>702 970 924</b>	<b>565 498 967</b>
Housing Development fund	1	6 230 166	6 230 166
Capital Replacement Reserve		6 166 410	6 206 389
Capitalisation Reserve		15 276 505	15 956 319
Government Grant Reserve		321 126 161	237 365 990
Donations and Public Contribution Reserve		17 852 539	17 852 539
Self-Insurance Reserve		13 803 554	13 867 462
Ex Gratia Pension Reserve		139 091	164 843
Accumulated Surplus/(Deficit)		322 376 496	267 855 258
<b>Non-current liabilities</b>			
Long-term liabilities	2	160 495 044	142 379 664
<b>Current liabilities</b>		<b>161 730 976</b>	<b>100 417 522</b>
Consumer deposits	3	16 677 366	15 043 032
Provisions and liabilities	4	14 506 830	12 582 083
Creditors	5	37 269 180	27 648 109
Unspent conditional grants and receipts	6	53 885 284	28 531 649
VAT	7	29 194 123	9 806 001
Bank overdraft	15	0	1 802
Current portion of long-term liabilities	2	10 198 194	6 804 845
<b>Total Net Assets and Liabilities</b>		<b>1025 196 944</b>	<b>808 296 152</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>653 085 746</b>	<b>535 639 820</b>
Property, plant and equipment	9	617 990 502	504 188 243
Investment Properties	9	5 392 196	5 392 196
Investments	8	6 975 216	6 258 787
Long-term receivables	10	22 727 833	19 800 595
<b>Current assets</b>		<b>372 111 198</b>	<b>272 656 332</b>
Inventory	11	17 203 787	18 378 712
Consumer debtors	12	70 971 904	71 035 324
Other debtors	13	69 887 697	43 198 310
Current portion of long-term debtors	10	688 165	416 501
Call investment deposits	14	180 692 249	115 748 289
Bank balances and cash	15	32 667 396	23 879 196
<b>Total Assets</b>		<b>1025 196 944</b>	<b>808 296 152</b>



CITY OF MATLOSANA STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007			
		Actual	
	Note	2007	2006
		R	R
<b>REVENUE</b>			
Property rates	16	102 553 486	93 465 856
Service charges	17	391 232 142	358 572 676
Market dues		9 446 077	8 674 150
Administration fees		8 159 649	8 046 073
Dividends		2 231	
Rental of facilities and equipment		7 767 236	6 235 783
Interest earned - external investments		18 115 339	11 406 244
Interest earned - outstanding debtors		32 001 552	29 245 179
Fines		3 305 839	4 298 683
Licenses and permits		3 482 119	3 265 022
Grants and subsidies	18	236 457 854	183 016 667
Other income	19	26 190 691	24 724 779
Public contributions, donated and contributed property, plant and equipment		0	0
Gains on disposal of property, plant and equipment		833 768	621 106
<b>Total Revenue</b>		<b>839 547 964</b>	<b>731 572 217</b>
<b>EXPENDITURE</b>			
Employee related costs	20	206 210 619	186 304 754
Remuneration of Councilors	21	10 812 693	10 397 661
Bad debts (Contribution to Provisions)		72 034 070	82 523 000
Collection costs		5 653 633	4 479 355
Depreciation		44 573 257	37 709 856
Repairs and maintenance		29 763 268	20 827 984
Interest paid	22	18 933 733	24 679 973
Bulk purchases	23	180 876 485	158 801 679
Contracted services		4 721 126	3 962 201
Grants and subsidies paid		0	0
General expenses		130 340 918	109 969 786
Loss on disposal of property, plant and equipment			265 743
<b>Total Expenditure</b>		<b>703 919 802</b>	<b>639 921 994</b>
<b>SURPLUS/(DEFICIT)</b>		<b>135 628 162</b>	<b>91 650 222</b>
Share of surplus/(deficit) of associate accounted for under the equity method		0	0
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>135 628 162</b>	<b>91 650 222</b>
Refer to Appendix E(1) for explanation of variances			

CITY OF MATLOSANA STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007										
	Pre-Damap. Reserves and Funds	Ex-Gratia Pension Reserve	Capital Replacement Reserve	Self- Insurance Reserve	Housing Development Fund	Government Grants and Reserves	Donations and public Contributions	Capitalisation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R	R	R
<b>2006</b>										
Balance at 1 July 2005		197 234	3 517 484	13 196 045	6 234 205	172 764 031	21 015 760	4 702 663	229 981 493	401 566 894
Implementation of GFRS (Note 27)										0
Change in accounting policy (Note 27)										0
Correction of error										0
Restated balance	0	197 234	3 517 484	13 196 045	6 234 205	172 764 031	21 015 760	4 702 663	229 981 493	401 566 894
Surplus/(deficit) for the year			2 888 825			3 740 810	(1 543 179)	2 182 700	8 041 842	13 001 033
Transfer to GFR			6 206 204						6 045 263	474 859 903
Property, plant and equipment purchased			10 748 431							0
Capital grants used to purchase PPE			(10 748 431)							0
Donated contributions and PPE						79 942 947		10 086 992	(21 439 423)	0
Payments									10 749 431	0
Insurance claims processed									(75 042 847)	0
Contribution to Self Insurance Reserve									8 939	0
Transfer to Housing Development Fund									1 561 590	0
Assets disposal									(2 235 030)	0
Offsetting of depreciation									(2 000)	0
Balance at 30 June 2006	0	164 843	6 206 389	13 067 462	6 230 186	237 365 990	17 862 539	15 966 319	268 666 456	566 310 204
<b>2007</b>										
Correction of error										0
Change in accounting policy (Note 27)										0
Restated balance	0	164 843	6 206 389	13 067 462	6 230 186	237 365 990	17 862 539	15 966 319	268 666 456	566 310 204
Surplus/(deficit) for the year										0
Surplus/(deficit) for the previous year										0
Transfer to GFR										0
Property, plant and equipment purchased			34 239 263						1 002 557	1 002 557
Capital grants used to purchase PPE			(34 239 263)						(14 229 202)	0
Donated contributions and PPE						102 739 939			24 369 241	0
Payments									(102 330 939)	0
Transfer to Insurance Reserve									50 000	0
Insurance claims processed									(2 822 862)	0
Transfer to Ex-Gratia Pension Reserve									2 000 570	0
Asset disposals									(24 240)	0
Offsetting of depreciation										0
Balance at 30 June 2007	0	139 081	6 166 410	13 003 564	6 230 186	321 126 161	17 862 539	15 276 806	222 376 496	702 970 924





CITY OF MATLOSANA			
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007			
	Note/ App.	2007 R	2006 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from/(utilised in) operations	29	180 593 155	128 859 349
Interest received		50 116 891	40 651 424
Interest paid	22	(18 933 733)	(24 679 973)
Other reserves			
<b>NET CASH FROM OPERATING ACTIVITIES</b>		211 776 314	144 830 800
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	(i)	(160 252 369)	(126 417 541)
Proceeds on disposal of property, plant and equipment		2 710 621	355 363
(Increase)/decrease in non-current receivables		(2 927 238)	2 837 255
Increase in non-current investments		( 716 429)	( 638 554)
Decrease in call investment deposits			
<b>NET CASH FROM INVESTING ACTIVITIES</b>		(161 185 415)	(123 863 478)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised/(repaid)		21 508 729	(9 401 447)
Decrease/(increase) in short-term loans			
Increase in consumer deposits		1 634 334	1 490 659
<b>NET CASH FROM FINANCING ACTIVITIES</b>		23 143 063	(7 910 788)
<b>NET INCREASE(DECREASE) IN CASH AND CASH</b>		<b>73 733 962</b>	<b>13 056 534</b>
Cash and cash equivalents at the beginning of the year		<b>139 625 683</b>	<b>126 569 150</b>
Cash and cash equivalents at the end of the year	30	<b>213 359 645</b>	<b>139 625 683</b>
(i) Property, Plant & Equipment: During the year, the economic entity acquired property, plant & equipment with an aggregate cost of R 160 252 369, of which R102 330 938 was acquired by means of capital grants by the National Government. Cash Payments of R 57 921 431 was made to purchase property, plant and equipment. (GRAP 2)			

# ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

## 1. PREFACE

The accounting policy is aimed at describing additional information to the user of financial statements on the measurement used in the preparation of the statements that is not covered in the applicable accounting standards.

## 2. BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 7 December 2005; and
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and
- General Notice 522 of 2007, issued in Government Gazette no 30013 of 29 June 2007.

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6,7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The municipality has elected to early adopt the following requirements in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 552 of 2007.



Standard	Description of standard
GRAP 03	Accounting policies, changes in accounting estimates and errors (Full Compliance)

Standard	Description of standard
IAS 17 (AC 105)	Leases ( Note exemption of certain aspects of standard in Notice 522) (Full Compliance)
IAS 19 (AC 116)	Employee Benefits (Full Compliance)
IAS 38 (AC 129)	Intangible assets (Note exemption of certain aspects of standard in Notice 522) (Full Compliance)
IFRS 5 (AC 142)	Non-Current Assets (Full Compliance)
IAS 11 (AC 109)	Construction Contracts (Full Compliance)
IFRS 3 (AC 140)	Business Combinations (Full Compliance)
IAS 20 (AC 134)	Accounting for Government grants (Full Compliance)

In addition to those parts of the standards that are exempted in terms of Notice 522, the Municipality will prepare an implementation plan that incorporates the following additional accounting standards: -

Standard	Description of standard
GAMAP 09	Revenue (Note exemption of certain aspects in Notice 522) (Full Compliance)
GAMAP 12	Inventories (Accept Exemption in so far as the water stock is concern)
GAMAP 17	Property, plant and equipment (Note exemption of certain aspects of the standard in Notice 522) (Accept Exemption)
IAS 39 (AC 133)	Financial instruments: Recognition and measurement (Note exemption of certain aspects of standard in Notice 522) (Accept Exemption)
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance (to the extent that it does not contradict GAMAP 9)
IAS 40 (AC 135)	Investment property (Note exemption of certain aspects of standard in Notice 522) (Accept exemption on the portion of "fair value")
IFRS 7 (AC 144)	Financial Instruments (Accept Exemption)
IAS 14 (AC 115)	Segment Reporting (Accept Exemption)
IFRS 8 (AC 145)	Operating Segments (Accept Exemption)

The framework in which the financial statements were compiled is in line with both the guidelines of the International as well as the South African Accounting Standards Boards.

The main accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

### 3. ACCRUAL BASIS OF RECORDING

The financial statements are prepared in terms of the accrual basis of accounting. The effects of transactions and other events are recognised when they occur and they are recorded in the accounting records and reported in the financial period to which they relate. This is done in terms of Standards of GRAP 1.31 to 1.32 and IAS 1.25 to 1.26.

### 4. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.





## 5. GOING CONCERN ASSUMPTION

The annual financial statements are prepared on the basis of a going concern. This assessment was made by Management in terms of Standards of GRAP 1.27 to 1.30 and International Accounting Standards 1.24 and 1.25.

## 6. OFFSETTING

No offsetting is done in either assets and liabilities or income and expenditure in line with Standards of GRAP 1.42 to 1.46 or IAS 1.32 to 1.35. It must be noted that provision for doubtful debts and accumulated depreciation (net Property, plant and equipment) does not constitute offsetting.

## 7. BALANCE STATEMENT/ STATEMENT OF FINANCIAL POSITION

The Balance Statement is represented by the Statement of Financial Position. The Statement of Financial Position will be divided into current- and non-current (net assets) assets and current and non-current liabilities in terms of Standards of GRAP1.62 and not in terms of liquidity.

## 8. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished and transferred to a Housing Development Fund.

The Housing Act prescribes the utilisation of this fund and monies standing to the credit of the Housing Development Fund. It can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

## 9. RESERVES

### 9.1. CAPITAL REPLACEMENT RESERVE (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus/(deficit) to the CRR. An amount equal to the actual spending from CRR is contributed to the CRR from the Accumulated Surplus/ (Deficit) to finance the expenditure.

### 9.2. CAPITALISATION RESERVE

Resulting from the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote equality by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are compensated by transfers from this reserve to the accumulated surplus/ (deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the applicable funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/ (deficit).

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such an item is transferred to the accumulated surplus/ (deficit).

### 9.3. GOVERNMENT GRANT RESERVE

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve to an amount equal to the Government Grant and recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote equal utilization of the grant by ensuring that the future depreciation expenses are spread over the useful economical life of the asset without prejudicing future consumers.



When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

#### 9.4. DONATIONS AND PUBLIC CONTRIBUTIONS RESERVE

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from Donations and Public Contribution reserves grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

#### 9.5. SELF INSURANCE RESERVE

The Municipality operates a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that are not fully insured externally (adapt to specific circumstances). The balance of the Self-Insurance Reserve is based on estimated insurance risk carried by the Municipality. The contribution towards the Reserve is made from the operating account. The balance of the self-insurance fund is invested in short-term cash investments.

Own claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

#### 9.6. EX-GRATIA PENSION RESERVE

The Municipality operates an ex-gratia pension fund with the purpose to provide an ex-gratia amount to employees who do not have membership of a pension fund at retirement. The contributions towards the Reserve are made from the operating account. The balance of the ex-gratia pension fund is invested in cash investments.

### 10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is reflected at the net of cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated because of the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

<i>Infrastructure</i>	<i>Years</i>	<i>Other</i>	<i>Years</i>
Roads and Paving	10-30	Buildings	30
Electricity	20-30	Other vehicles	3-20
Water	15-20	Office equipment	5-10
Sewerage	15-20	Furniture and fittings	7-10
Specialised plant and equipment	5-15	Other items of plant and equipment	3-15



The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

## **11. INVESTMENTS**

### **11.1. FINANCIAL INSTRUMENTS**

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

### **11.2. INVESTMENT IN MUNICIPAL ENTITIES**

Investments in municipal entities under the ownership control of the Municipality are carried at cost of invested amount.

## **12. INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method. The value of the Faan Meintjes Reserve is based on 100% of the current realisable value as at 30 June annually. Land developed for re-sale within one year is classified as an inventory item. The value of the stands is calculated at:

- Councils resolution Rand per square meter or
- Municipal valuation

GAMAP12 are not fully complied with in so far as water stock is concern. Water stock in the network qualifies as an asset (inventory) in terms with GAMAP12.07 and should be recorded as such. The water stock is not calculated or measured at this stage, but will be done in future as part of the phased in approach approve by the minister in Government Gazette no.522 dated 29 June 2007.

## **13. LEASES**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to Council.

Operating leases are those leases that do not fall within the scope of the above definition. Operating leases rentals are expensed as they become due.

## **14. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at the accrued value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

## **15. TRADE CREDITORS**

Trade creditors are stated at their nominal value.



## 16. REVENUE RECOGNITION

### 16.1. REVENUE FROM EXCHANGE TRANSACTIONS

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been taken. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on removal once per week.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis that takes into account the effective yields on assets.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of dog licences and permits.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

### 16.2. REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into operation.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## 17. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

## 18. PROVISIONS

The provision for the accumulated leave of staff that is redeemable complies with the definition of a provision. Additional notes on the detail of the provision as well as the total liability are reflected in the Annual Financial Statements.

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.



## **19. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

## **20. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **21. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **22. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **23. COMPARATIVE INFORMATION**

### **23.1 CURRENT YEAR COMPARATIVES:**

Budgeted amounts have been included in the annual financial statements for the current financial year (see Annexure E(2)).

### **23.2 PRIOR YEAR COMPARATIVES:**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

## **24. BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

## **25. CASH FLOW STATEMENT**

For the purpose of the cash flow statement, cash and cash equivalents comprise of cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

## **26. RETIREMENT BENEFITS**

Councillors and employees as well as Council contribute to the following pension and provident funds, which provide retirement benefits to such Councillors and employees:



Municipal Employees Gratuity Fund  
Pension Fund for Municipal Councillors  
National Fund for Municipal Workers

SALA Pension Fund  
SAMWU provident Fund  
Municipal Employees Pension Fund

**Actuarial valuations are done as follows:**

Municipal Employees Gratuity Fund:  
Pension Fund for Municipal Councillors:  
National Fund for Municipal Workers:  
Municipal Employees Pension Fund:  
SAMWU provident Fund:  
SALA Pension Fund:

Actuarial valuation is done every 2 years  
Actuarial valuation is done every 3 years  
Not required to do actuarial valuation  
Actuarial valuation is done every 2 years  
Not required to do actuarial valuation  
Actuarial valuation is done every 3 years

Council does not operate or are not involve in a guaranteed benefit pension scheme. The above schemes are only based on guaranteed contributions from the side of the Employer.





CITY OF MATLOSANA  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	R	R
<b>1 HOUSING DEVELOPMENT FUND</b>		
Housing Development Fund	6 230 166	6 230 166
Unappropriate Surplus	6 230 166	6 230 166
Loans extinguished by Government on 1 April 1998		
The Housing Development Fund is represented by the following assets and liabilities		
Bank and cash	6 230 166	6 230 166
<b>Sub-total</b>	<b>6 230 166</b>	<b>6 230 166</b>
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>6 230 166</b>	<b>6 230 166</b>
	2007	2006
	R	R
<b>2 LONG-TERM LIABILITIES</b>		
Local registered Stock Loans	0	0
Annuity Loans	170 693 238	149 184 509
Sub-total	170 693 238	149 184 509
Less : Current portion transferred to current liabilities	10 198 194	8 804 845
Local Registered Stock Loans		
Annuity Loans	10 198 194	8 804 845
<b>Total External Loans</b>	<b>160 495 044</b>	<b>142 379 664</b>
Refer to Appendix A for more detail on long-term liabilities.		
	2007	2006
	R	R
<b>3 CONSUMER DEPOSITS</b>		
Electricity and Water	16 677 368	15 043 032
<b>Total Consumer Deposits</b>	<b>16 677 368</b>	<b>15 043 032</b>
Guarantees held in lieu of Electricity and Water Deposits	1 906 188	1 973 198
Guarantees held in lieu of debtors for the Fresh	500 000	500 000
	2007	2006
	R	R
<b>4 PROVISIONS AND LIABILITIES</b>		
Staff leave	14 506 830	12 582 083
<b>Total Provisions and liabilities</b>	<b>14 506 830</b>	<b>12 582 083</b>
The movement in current provisions and liabilities are reconciled as follows:		
<b>4.1 Staff Leave</b>		
Balance at beginning of year	12 582 083	4 994 233
Contributions to provisions	4 851 528	11 999 747
Expenditure incurred	(2 926 780)	(4 411 897)
<b>Balance at end of year</b>	<b>14 506 830</b>	<b>12 582 083</b>
The extent of the accumulated leave liability for Council as at 30 June 2007 amounted to R14 506 830, while the redemption of leave during the financial period under review was R2 926 780.		

